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DSN Forecasts 1990 Economic Climate—page 3

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SECOND CLASS

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Berrymore the Holiday Hound (center), representing Venture's selection of Christmas plush toys, practices his footwork with Moostle Toe (l.) and his partner Holly.

Venture Plush Hound Howls Holiday Cheer

By Richard C. Halverson

O'FALLON, Mo. — For the second year in a row, Venture is promoting its Christmas plush by dressing a demonstrator in an 8-foot tall inflatable costume patterned after the figure.

Venture has dubbed its 1989 Christmas plush, Berrymore the Holiday Hound, which resembles the Snoopy pooch. It carries a retail price of $5. Venture also is bring-

(Continued on page 29)

Zayre Comes Back to Life; Poised to Be Urban Force

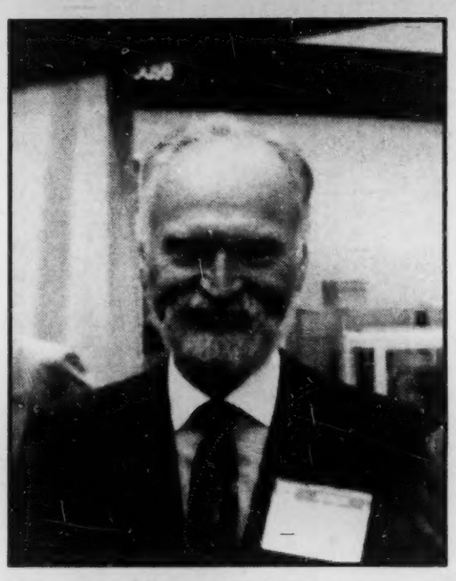
By Peter Hisey

ROCKY HILL, Conn. — Like the fabled Phoenix, the venerable Zayre chain died in late October, then rose from its own ashes.

On Oct. 26, 254 Zayre stores changed their name to Ames, but a new $700 million Zayre chain, based on 61 high-volume urban Zayre stores, was born. And in the future, it may become a significant growth area for parent Ames Department Stores.

According to Steve Jelin, the Ames senior vice president who heads the Urban Zayre Division, Zayre will be run as a separate merchandising organization, with vertical buying, merchandising, advertising and distribution functions run by Zayre, while Ames supplies store operations, personnel, warehousing and technological systems.

And no two stores will be identical. "With 61 stores, we can look at each, market by market," he said. "Urban customers have very individual tastes, and with a chain this size, we can cater to them." Zayre's markets include Miami, Washington, D.C., Chicago, and Cleveland, which contain minority groups including Mexican, Cuban, Puerto Rican, Haitian, American Black, Jamaican, Korean, Chinese, and several others. "All have very individual tastes and needs," Jelin said.



Steve Jelin

The most immediately visible difference at Zayre stores chainwide will be a greater emphasis on apparel. According to Ames president and ceo Peter Hollis, soft lines will account for 60 percent or more of the product mix in the future. Areas that will give up ground for this increase: paint, hardware, lawn & garden, sporting goods and other hard lines areas of lesser importance to urban dwellers.

"Urban customers have very different priorities," said Jelin. "They don't need $300 gas grills and patio sets and they don't want country geese on their sheets and comforters. We'll merchandise to suit their needs and tastes."

Another major change will be a new prototype, the first of which (a retrofit) will debut on Nov. 19, with the first ground-up example due in Cleveland next fall. The new format will feature more and wider aisles,

(Continued on page 4)

TSS Is Slated To Expire By Mid-1990

By Laura Liebeck

BROOKLYN, N.Y. — TSS is liquidating the merchandise at 11 of its 14 stores and will cease operation at those units by the end of this year.

The three remaining stores will be liquidated by next June, ending the 60-year retailing history of the New York/Long Island area's most prominent discount department store chain.

So far, two of the 11 stores currently selling off their merchandise have been sold to other retailers: one to Alexander's (see story, page 3) and the other to a still unnamed operator.

Potential buyers for the remaining units are being reviewed and "we'll be announcing joint venture projects soon," said Jeffrey S. Goldstein, chief financial officer of Resource Holdings.

Earlier this year, TSS

(Continued on page 30)

Quake Shakes Up Bay Area Retailing

The Big One Catches DSN Reporter Clothes-Shopping at Nordstrom

By Pamela Meek

I've lived in California all my life. I always wondered where I would be when a big earthquake hit. I never thought I would be shopping in Nordstrom.

I had just spent nine hours at the San Jose Convention Center covering the Scan-Tech meeting for *DSN*: listening to an informative talk by "Wall Street Week's" Louis Rukeyser, walking the show, and attending a seminar where Wal-Mart's warehouse systems project manager Ron Moser spoke on radio frequency data communications.

Looking through the phone book, I found there was a regional mall—Valley Fair—close by, so I decided to stop by there before returning to my hotel. A Nordstrom fan since I encountered the chain in Washington state, I headed to this store first. It must have been about 4:45 p.m.

The store was typically busy, I went up to the third floor and found some clothes to try on in the Brass Plum department. It now had to be pretty close to 5 p.m.

I slipped out of one outfit and tried on a pair of acid-washed Levi's and a bright purple and pink stripped long sleeve T-shirt.

Then at 5:04 p.m., the building started to shake. I looked up at the ceiling. At first I didn't think it was an earthquake. I thought maybe it was someone working on the roof or a sonic boom.

The shaking got worse. Now I knew it was an earthquake. Ceiling panels started to fall—on my head. My mind ran through the list of things you're supposed to do during an earthquake. But there was no desk to crawl under or a stable doorway to stand under, so I just put my arms over my head.

I didn't think it could, but the quake got stronger. I was leaning against the back wall and now I slid onto a corner seat; my arms were still over my head, and I leaned over a bit, resting my elbows on my thighs. (A day after the quake

On firmer ground: Pam relaxes in her quake outfit.

I noticed that I had a big bruise on each thigh just above my knees where my elbows dug into my legs.)

Although later reports said the earthquake lasted for only 15 seconds, it seemed much longer. As the building continued to shake, lots of thoughts raced through my head. Only ceiling panels were falling on me, but I knew that if it got any worse, a lot more would start crashing down. The lights went out. There were no windows; it was pitch black. I reminded myself that a generator would kick in, and emer-

(Continued on page 8)

Area Discounters Clean Up, Pitch In With Donations

SAN FRANCISCO — In addition to attending to their own cleanup efforts, many discounters with stores in the Bay Area are also rallying to help the region recover from last month's devastating earthquake by donating both funds and needed supplies.

K mart—which operates about 20 discount stores in the Bay Area, along with some 65 Pay Less drug stores and 65 Waldenbooks units—contributed $100,000 to the American Red Cross' relief fund. The donation follows the $70,000 K mart contributed to the Red Cross' Hurricane Hugo relief effort.

Company spokeswoman Leslie Kota said K mart's stores suffered only minor damage, and most stores were open almost immediately after the earthquake.

Target Stores, along with its sister division Mervyn's and parent company Dayton Hudson, also made a $100,000

(Continued on page 30)

MARKETWATCH

Makro Mainstreams New Clubs

HARTFORD, Conn. — Makro, the membership warehouse club chain that is 51 percent-owned by K mart, has begun transforming itself into a more typical wholesale club operation. A new membership policy, instituted with the opening Nov. 1 of its new Hartford, Conn., unit, establishes three classes: business members who pay a $25 annual fee for the privilege of buying goods at the ticketed price; group members who pay no annual fee but must purchase merchandise at 5 percent above the ticketed price; and elite members, group members who elect to pay a $25 membership fee so they can purchase goods for the same price as business members. Previously, Makro did not charge a fee and everyone paid the ticketed prices. The 150,000-square-foot Hartford unit is the Cinncinati-based Makro's first in New England and seventh overall. It contains less than half as many sku's as existing Makro stores—10,000 sku's compared to 25,000. Additional openings on Nov. 15 in Toledo, Ohio and Flint, Mich., will feature the new membership policy and slashed product selection. In addition, the units will be scaled back to 100,000 square feet in size. Ten additional units are slated for 1990.

Wal-Mart Nears Sale of dot Drug Chain

LENEXA, Kan. — Wal-Mart appears to be nearing the end of its search for a buyer of its 14-store dot Discount Drug chain. Industry sources suggest that Jerry Gaddis, vice president, merchandising for the chain, will be involved in a management buyout. Gaddis refused to confirm or deny that report but said that an announcement about dot's status might be forthcoming later this month. In a previous move out of specialty retailing, in favor of its core business, Wal-Mart sold its three-unit Helen's craft store chain.

Provigo to Divest Non-Food Operations

MONTREAL — Provigo, the $6.3 billion diversified Canadian food distributor and retailer, plans to divest its non-food operations, including the Consumers Distributing (Canada) and Sports Expert chains. Provigo's executive vp, Henri Roy, who heads up the company's U.S. operations, reportedly is trying to form an investment group to buy CD (Canada) and Sports Expert. Provigo's U.S. ventures included CD (U.S.) before the Edison, N.J.-based cataloger was sold last year.

Heck's Amends Corporate By-Laws

NITRO, W. Va. — Heck's has amended its corporate by-laws to set limits on accumulation of its stock in order to preserve its tax loss carryforwards that could be useful in acquiring other companies. After deducting for debt forgiveness, Heck's now estimates those carryforwards at $75 million. Heck's, which emerged from Chapter 11 bankruptcy Sept. 28 of this year, has set 4.5 percent as the limit any one investor may acquire.

Members to Benefit From Sam's New Plan

BENTONVILLE, Ark. — Sam's Wholesale Club is offering members two new benefits. The first is a limited five-year parts and labor protection plan for traffic and major appliances, audio and video and lawn, garden and power tools. The plan, provided by Protection Plans of America, is available at five different price points, depending on the cost of the merchandise. The other, offered only to business and advantage members, is a discount on long-distance phone service from MCI—10 percent on daytime domestic and international rates, 4 percent during evening hours and 3 percent on night and weekend calls.

New Marking Technology for Toys 'R' Us

ROCHELLE PARK, N.J. — Toys 'R' Us has broken new ground in identifying and marking merchandise by phasing in a customized software program that will enable each store to independently create and print shelf tags, display signs and self-service tickets using various size characters, different type fonts, lines, boxes and bar codes. Developed by Integrated Software Design of Mansfield, Mass., the software will be installed on a DEC Microvax/LNO3+ laser printer system at each store.

Odyssey Changes Funding Plan for Caldor

NEW YORK — Odyssey Partners is turning to bank financing from Citibank, plus loans from Donaldson, Lufkin and Jenrette Capital Corp., to fund the leveraged buyout of Caldor from May Department Stores. The New York investment group, which is heading the $552 million cash and debt deal, switched its financing plans when the junk bond market started reeling last month. DLJ and Caldor management will get unspecified shares in the new Caldor, while May will retain a 20 percent interest.

Ross Rolls Out Prototypes

Off-Price Apparel Retailer Adds 9 New, Improved Units

NEWARK, Calif. — Ross Stores is pursuing the implementation of its new store format with the recent roll out of nine new locations.

Earlier this year the off-price apparel chain introduced its new prototype, which features more departmentalization, updated fixtures and graphics, some new product categories and a more department store-styled cosmetics and jewelry area.

The 156-store chain's newest stores feature the new improvements and are mostly located in existing markets. Two new San Francisco Bay Area stores, bring Ross' market total to 27 locations. The opening of four new Los Angeles stores gives Ross 33 locations in that area. The chain's new openings also include the first of four sites planned for Miami, bringing Ross' Florida coverage to 20 stores, and the company also recently opened a new site in Austin, Texas.

Ross' new stores range from 18,000 square feet to the company's new norm of 25,000 square feet. Previously, Ross' store average was 30,000 square feet. Along with the introduction of its new format, the company has also tightened its inventory, reduced its back room space and cut down on its total square footage, while only mildly reducing its actual selling space.

In addition to the new stores opening under Ross' updated format, the chain expects that some eight existing stores will be remodeled to the new prototype by year-end.

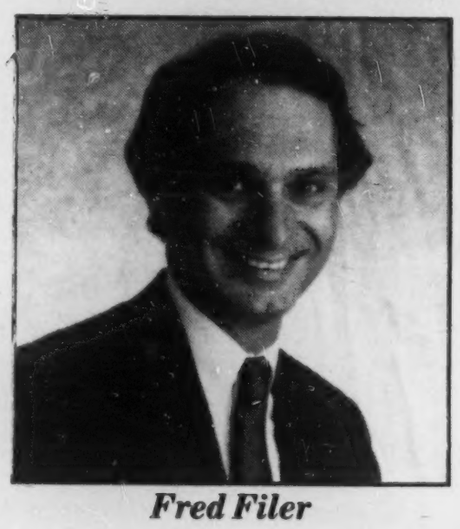
Ross also recently announced the creation of its new "Gift Express" department, which opened in many of the new fall stores and includes both gift and decorative items.

Full Line of Perishables Added to New PACE Unit

PACE, recently acquired by K mart Corp, opened its 43rd club October 21 in Hatboro, Pa. Proud of the club's full perishables program, which includes meat, baked goods and produce, are (l to r): Brad Gordon, senior vp/operations; Charles Steinbrueck, president; and Tom Daniel, senior vp/merchandising. See editorial, page 6.

Filer, Failla Promoted to New Posts

NEW YORK — Fred Filer, publisher of *DSN* since 1982, has been promoted to vice president of the *DSN* group of publications. In this capacity, Filer will function as group publisher of *HomeMarket Trends*, the exciting new publication for the home fashions industry. He will also continue to co-publish *Food Merchandising* and supervise classified sales for all Lebhar Friedman publications. Filer has been with *DSN* since 1977.



Fred Filer

John Failla, named associate publisher of *DSN* in early 1989, has been promoted to publisher. Failla previously served as *DSN*'s national sales manager and as associate publisher of *HomeMarket Trends*. "Throughout his career at Lebhar-Friedman, John has demonstrated a high degree of loyalty, intelligence, professionalism and hard work," said Filer, in announcing the promotion. "John has performed exceptionally well in every assignment he has been given." Failla joined L-F in 1982 as a sales representative for *DSN*.

John Failla

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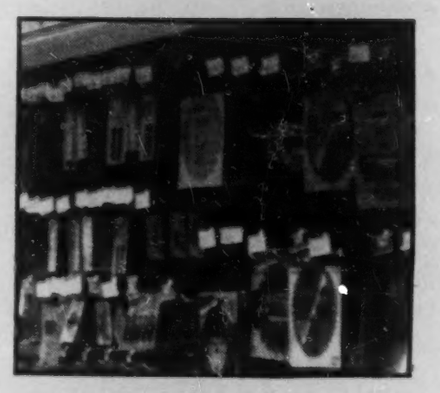

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Industry Edges Upward After Soft Landing

After Avoiding Recession in '89, Better '90 Ahead

By Richard Mount
Special to DSN
DSN Nationwide Report

The economy has successfully navigated the narrow straits between recession and inflation in 1989, achieving the desired "soft landing."

Higher rates reduced the demand for interest-sensitive products such as housing and autos, while capital spending and exports sustained overall business output and employment. Inflation, after running at a heady pace in the opening months of the year due to higher energy and agricultural prices, seems under control.

Behind this soft landing lies a transition in the economy as well. Consumer spending weakened in 1989 while the manufacturing sector remained relatively strong. But slower overall demand is now taking its toll on capital spending plans, and the higher dollar will adversely impact net exports. In short, the economy will continue to post subpar gains through 1990, although consumer spending will be on the rise while capital spending softens.

National Economy Changes

For the discount store industry, these changes in the national economy will increase overall demand somewhat in 1990 over the projected 1989 pace, but not dramatically. Regional variations will again shift, this time away from the capital producing areas, towards the South and Mountain states.

Through the first half of 1989, the economy has slowed from its rapid gains in the near past. After increasing 3.7 percent in 1987 and 4.4 percent in 1988, real GNP during the first half of 1989 showed an average increase of only 3.3 percent from the first half of a year ago. Gains will be even lower in the second half of 1989, reducing the annual rise for 1989 to only 2.7 percent.

Capital spending will be a major factor in sustaining the advance in the economy during the second half of 1989. The latest government survey of business investment plans for 1989 shows an increase in spending of 7.7 percent above the inflation rate. Investment has been improving for the last few years. After declining 3.3 percent in 1986, it increased 3.9 percent in 1987 and 8.4 percent in 1988.

Next year is likely to be another year of slow growth, but without a business correction. Capital spending on equipment won't advance as rapidly as in 1988 or 1989, and exports will be pressured by the current rise in the dollar's value. The softness in non-residential construction and multi-unit residential housing should persist. Defense spending will come under increased scrutiny as a means to hold the budget deficit in check.

The big question for 1990 is the direction of interest rates. Our current outlook calls for rates to be slightly higher than they are now, a negative factor for housing and other big ticket consumer purchases. Should rates decline, the economy and discount store sales will be stronger.

The new source of strength in the economy in 1990 should be the consumer. Spending has been held somewhat in check in 1989, as consumers put their finances in order. Consumers' savings rates have risen to 5.5 percent in the first half of 1989, up from a 4.2 percent average during 1988 and 3.2 percent in 1987.

Inflation will remain the largest single determinant of the direction of the economy through 1990. Fears of higher prices will force the Federal Reserve Board to tighten credit, increasing rates, as well as lowering the overall economy.

Consumer Price Index Rises

Inflation rose rapidly in the first five months of this year, pushed mainly by higher energy and agricultural prices. The consumer price index was rising at a 6.8 percent annual rate in this period, the producer price index by 8.9 percent.

Recently, price increases have come down, the producer price index was down for the latest three consecutive months. Neither pattern tells the entire story, however.

The volatile food and energy components accelerated the rate of inflation in the first half while braking it sharply in recent months. While in the last three months the total producer price index declined, it would have risen sharply in two of these months without the declines in the food and energy components.

The major force for inflation in the economy is not food or energy, but labor. Shortages exist in most major markets, increasing wage demands.

At the same time, fringe benefits such as health care are on the rise. While the usual inflation indexes have whipsawed this year, the trend in overall labor costs, including benefits, has remained about 5.4 percent. This is a better measure of the underlying inflation forces, not the month-to-month changes in the total producer price index.

Pressure on Labor Demands

Additional pressure will be placed on labor demands through 1990 because labor has not been able to get wage increases that exceed inflation. Real wages, over the last three months, have averaged a decline of 1.5 percent from a year ago. It will require a continuation of the current slow growth in GNP to reduce the pressure in labor markets to allow the underlying rate of inflation to come down.

While the consumer price index rose 4.2 percent in 1988, it should be up 5 percent in 1989 and 5.3 percent in 1990.

The trend for interest rates through 1990 is apt to revolve about inflation. Due to current labor costs and likely pressure for higher future settlements in the near term, the inflationary pattern for 1990 is for slightly higher price increases. The Federal Reserve will therefore tighten credit anew, and rates will rise.

The increases in rates will be moderate, however, because the slower growing economy will put less pressure on currently strained markets. Long-term rates will increase about 50 basis points, short term somewhat more.

The ongoing decline in housing continues. After falling 8.2 percent in 1988, starts are down 3.9 percent year-to-date in 1989. Starts are likely to be down 4.8 percent this year, with single-family units bearing the brunt of the weakness, off 5.3 percent.

For 1990, starts will continue to decline because of the expected upturn in mortgage rates. Because inflation is likely to be slightly higher, the upturn in rates will be small and the falloff in housing is likely to be another 4.7 percent.

(Continued on page 10)

Richard Mount is president of Mount Economic Consulting, a firm specializing in construction, regional and retail trade economics. For discount store sales, this report utilizes the definition and history of full-line discount stores developed by Discount Store News.

Discount Store Sales by Region
(in $ Millions)

	1987	1988	1989	1990
United States Total	$84,000	$87,400	$90,500	$93,900
New England	6,384	6,564	6,697	6,873
Middle Atlantic	11,054	11,327	11,602	11,944
East North Central	15,757	16,248	16,842	17,503
West North Central	8,346	8,600	8,914	9,268
South Atlantic	13,117	13,530	14,018	14,573
East South Central	7,157	7,385	7,674	7,935
West South Central	10,799	11,091	11,530	11,982
Mountain	4,551	4,658	4,869	5,089
Pacific	7,734	7,997	8,353	8,733

Source: DSN/Mount Economic Consulting

Alexander's Readies First New Outlet in a Decade

By Kenneth M. Chanko

NEW YORK — As part of what chairman Robin Farkas called a "commitment to retailing in New York," Alexander's will open its first new store in 10 years next May.

The new 147,000-square-foot unit will be the moderately priced department store chain's third unit in the Bronx, the retailer's home base. The new store will be inside a former Times Square Store at Bruckner Blvd. and White Plains Road in the Castle Hill section of the East Bronx, which, coupled with the addition of a store in Yonkers, N.Y., gives the retailer "a four-corner presence" in the market north of Manhattan.

Farkas, who presided over a press conference here late last month, estimated the total investment at $6 million to $7 million, which would include the costs of converting the two-level facility to an Alexander's. He added that the financing will be generated internally.

Farkas also added that he's had his eye on that store for more than 10 years, and mentioned that it had been a Korvettes before TSS took it over.

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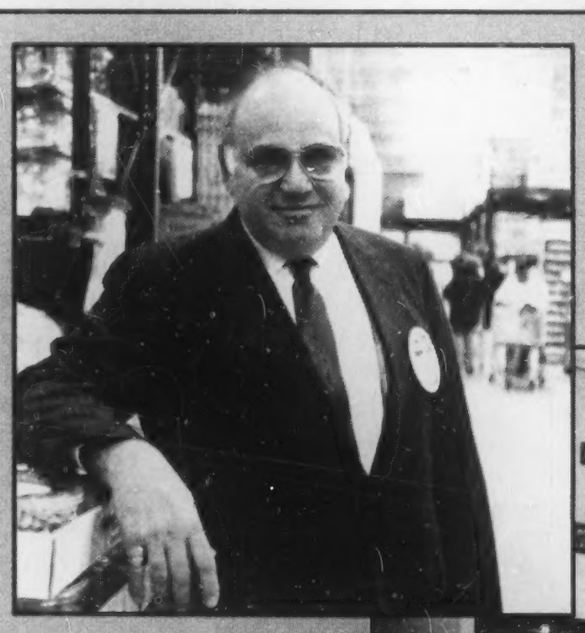
Wholesale Depot Opens First of Small-Size, Big-Results Clubs



Chairman Mervyn Weich (inset), believes that Wholesale Depot can be profitable in small markets even if competition intensifies.
(DSN photos)

By Mary Ellen Kelly

ERIE, Pa. — Wholesale Depot, a new warehouse club concept headed by former executives of BJ's Wholesale Club, opened its first store here last month as it pursues an expansion strategy aimed at growing in relatively small markets.

The next Wholesale Depot is slated to open next month in Bangor, Me. Four 1990 openings will include units in New London, Conn., Portsmouth, N.H., and Scarborough, Me.

Chairman Mervyn Weich, former president of BJ's Wholesale Club, and president Robert Miles, BJ's former vp, gmm, said the downsized club plans to add five units in 1991 and six in 1992. The company hopes to be operating 21 units by 1993.

Wholesale Depot offers members the same general merchandise categories as other membership warehouse clubs, but utilizes less space—60,000 square feet com-

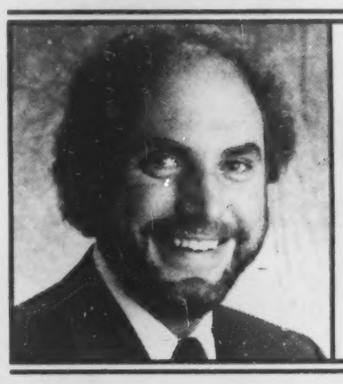
(Continued on page 29)

EDITORIAL

PACE Gives K mart Vehicle for Growth

Four days after K mart announced the purchase of PACE last month, I had the opportunity to talk with Charles Steinbrueck, president of the membership warehouse club chain headquartered in Denver.

We met at the grand opening of PACE's 43rd club in Hatboro, Pa., about 30 miles northwest of Philadelphia. Steinbrueck was particularly happy for obvious reasons. And even the heavy rains that day didn't dampen his spirits, nor did it keep curious customers away.



TONY LISANTI
Editor

"We believe there is a great synergy between K mart and PACE," Steinbrueck said, with the enthusiasm of a head coach following a big trade. "K mart has demonstrated through previous acquisitions that they believe in working very closely with existing management. They respect the management team that has built the business and were attracted to PACE for more than just the property."

And for K mart, the key to expanding the company in a booming segment of retailing that they desired to enter for several years is just that: Simply, leave it alone!

Steinbrueck, who was one of six nominees for *DSN's* 1989 Discounter of the Year award, has been with PACE since the company started in 1983, only a few months after the first Sam's opened. He is particularly proud of the new club's full perishables program that includes fresh meat, baked goods and produce as well as the use of electronic kiosks in tires and jewelry. Both these features, he said, are key factors for the future growth of the concept.

PACE is the final piece of the puzzle that positions K mart for a major thrust into food retailing in the 1990s: It establishes the retailer as an instant leader, more so than Makro did, in the warehouse club segment; it provides the expertise in food needed for the development of the Super K mart concept; it becomes the anchor for the super specialty mall envisioned by chairman Joseph Antonini; and it strengthens the chain's overall competitive position with Wal-Mart.

The timing of the acquisition is perfect for K mart as expansion in the lucrative but tough Northeast is just beginning to heat up, à la California a few years ago.

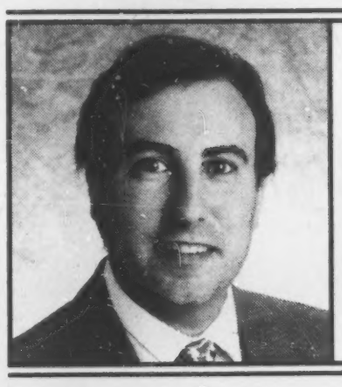
Good luck, Charles. I hope you're always smiling on those dreary rainy days.

BUYERS & SELLERS

Good Negotiators Understand the Big Picture

A recent conversation I had with Michael Patrick, director of business development for MOHR Development, a Stamford, Conn.-based consulting firm that designs retail training programs, illuminated some of the changes that are occurring in the buyer/vendor relationship.

Patrick has worked with a number of retail chains, including Ames, Caldor, Bradlees and T.J. Maxx. "When people used to think about negotiation, they thought that the best negotiators were the people with the biggest clubs," he said.



DON LONGO
Exec Editor

Retail and vendor mergers in recent years have caused firms to reevaluate their negotiating tactics. "Negotiation is not beating someone up. Sure sharp pricing is important, but the vendor must understand that a partnership is important to the retailer for making a profit. Meanwhile, the retailer must recognize that vendors are also running a business . . . Profitability must not be at the expense of the vendor."

Patrick said buyers should look beyond just statistical measures when assessing vendors. "You want to know the quality of his assortment, how flexible he is. You're looking at other things, like Quick Response capabilities."

Superior negotiators are the people who understand the bigger picture of their company so they could negotiate toward achieving the broader company goals, such as building a certain image or targeting a specific type of customer. One way of encouraging this would be to change performance evaluations of buyers to be more comprehensive. "Don't just look at what their product line or lines contribute in terms of sales, profits, etc., but how well do their actions promote companywide objectives," said Patrick. "For the last five to eight years, the focus of buyers has been on points or gross margin dollars. Now, it's return on net assets."

Buyers who are good at building successful long-term relations developed these skills early in their careers, usually before they even became buyers. They were the ones who took initiative early on. Companies should encourage and reinforce these people.

Another major change affecting the buyer/vendor relationship is new technology. Retailers today are much more sophisticated. "The typical buyer today is not someone with just a good social relationship with the vendor. Now, the buyer is more prepared, more analytical. He . . . brings a higher level of understanding to the table."

All retailers have buyers who are among the best around, Patrick asserted. But the companies that have the best defined mission—and have communicated that mission to the purchasing level—have the best vendor relationships.

By fostering an atmosphere of communication and understanding, buyers and vendors will be better able to satisfy the most important person: the customer.

WASHINGTON REPORT

Pressure Builds to Restrict Gray Market Imports

For years now, foreign manufacturers of fancy-brand watches, cameras, cosmetics and other products have been trying to establish and maintain an anti-discounter distribution monopoly in the United States.

Indeed, their aim is to achieve such absolute control over the distribution of their products that they are able to force American consumers to pay 20 percent, 50 percent, and even 100 percent above the prices of identical products in other countries.

KEN RANKIN

Fortunately, when these foreign manufacturers get too greedy, the competitive forces of the free market swing into motion to correct the situation. Enterprising distributors can simply buy these products abroad at the overseas price, import them back to the United States, and even after paying shipping costs, sell them for substantially less than the original manufacturer (or its U.S. distribution subsidiary).

Of course, these "parallel importers" are not very popular among the foreign manufacturers trying to maintain a monopoly here. Indeed, the would-be monopolists have been urging the Treasury Department and the federal courts to outlaw what they characterize as "gray market" imports.

Fortunately for the discount store industry, these attempts have fallen flat. Treasury officials have refused to revoke long-standing Customs Service regulations permitting parallel imports. And the Supreme Court has shot down a key judicial challenge to gray market transactions.

But even though the foreign manufacturers have two strikes against them, they're still swinging for the fences. This time, though, they've enlisted the aid of some well intentioned but misguided members of Congress.

The latest lawmaker to come to the aid of the foreign producers is Rep. Benjamin Cardin (D-Md.). His new bill would enable foreign manufacturers to set up dummy corporations in this country to hold the U.S. trademarks for their products. These entities would then be allowed to enlist the aid of the Custom Service to block "unauthorized" parallel imports by independent distributors.

Worse yet, the foreign manufacturer's U.S. "stooge" subsidiary would also be entitled to seek court injunctions blocking gray market imports, and to obtain damages from parallel importers for any sales that they might have lost due to competition from the cheaper "gray market" products.

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DSN ECONOMIC OUTLOOK

Economy Makes a 'Soft Landing'

(Continued from page 3)

Resales should decline somewhat more than total new housing in 1989—down 6.3 percent this year.

For discount store sales, the continued weakness in starts and resales will lower the overall demand for home furnishings. The strength in the housing market will come from replacement of current furnishings and from additions and alterations construction. Because homeowners will be enhancing their existing properties, demand will be more upscale since homeowners will not be saddled by as much additional new debt as they would bear with higher mortgages and moving expenses.

Retail sales growth will be only 4.8 percent this year, compared to a 7.1 percent rise in 1988. The auto industry has been weak in 1989 in spite of ongoing promotions. Excluding autos, total retail sales should rise 5.8 percent in 1989.

A large change in the apparel trade has occurred in women's and men's clothing. Last year, women's apparel sales increased 4.3 percent. But, in 1989, women's apparel sales are up 8 percent year-to-date. Men's clothing, on the other hand, rose 4.4 percent in 1988, but this year men's apparel climbed only 1.8 percent.

With the slower economy, real disposable income will increase 2.9 percent in 1989, compared to the 3.8 percent it rose last year. With slower gains in income, consumers become increasingly aware of price differences.

A big surprise for this year has been the strength in the replacement market for furniture (total sales are up 9 percent) and household appliances (up 12.4 percent). Both of these sectors are facing problems from soft new and existing housing markets.

Discount store sales, based on *DSN* estimates and definitions, should increase about 3.5 percent in 1989, up from the estimated gain of 2.9 percent in 1988. The majority of this rise will be the result of higher prices, not unit sales. For 1990, an additional gain of 3.8 percent is anticipated, again the result of inflation. A plus for discounters will be the slower growing economy and personal incomes. Consumers will become increasingly cost conscious and will turn to discounters for additional sales.

New England

The New England economy is becoming increasingly soft for retailers. Total retail sales are running 4.6 percent ahead of last year's pace, but department store sales are down about 0.8 percent. Employment is up only 0.9 percent from a year ago with New Hampshire, the strongest state, up 1.4 percent. The region is pressured by softness in its finance sector and defense, while high home prices reduce construction activity.

Middle Atlantic

The Middle Atlantic states are experiencing slow growth in employment, up 1 percent from a year ago. Pennsylvania is the strongest state, but only by a narrow margin. Softness in the finance sector is taking its toll on the region. Retail sales gains are weak throughout the region, up only 2.8 percent year-to-date, with department store sales up only 1.2 percent.

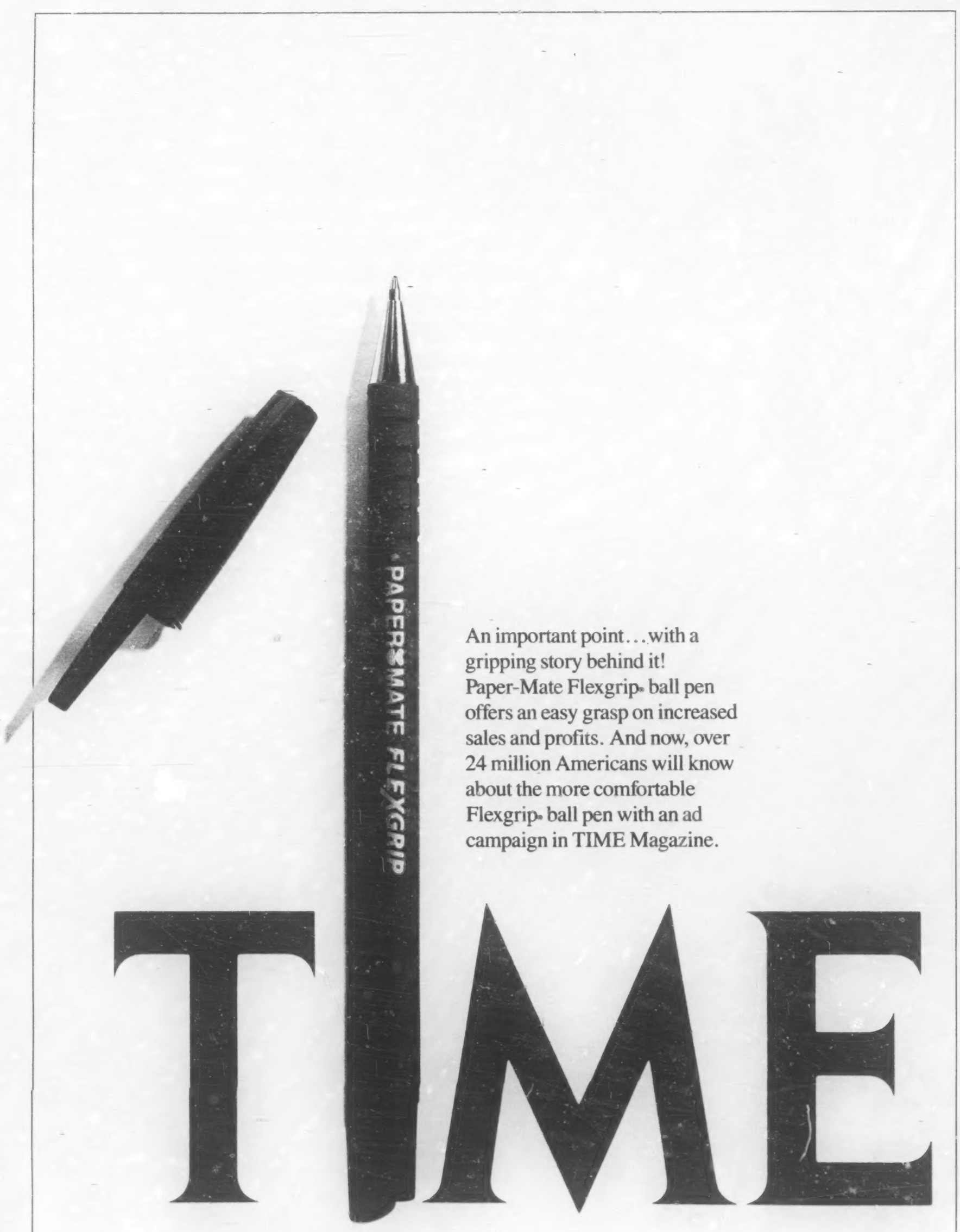
East North Central

The East North Central states have become one of the stronger regions for sales gains this year and should repeat this trend again in 1990. It has a concentration in heavy manufacturing industries. Indiana has become the fastest growing state in the region in terms of employment. And, in Michigan, retail demand is accelerating rapidly. With the current recovery in industrial production and capital spending, these states will post above-average rates of growth in retail and discount store sales.

West North Central

The West North Central is showing moderate gains in

(Continued on page 13)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DSN ECONOMIC OUTLOOK

Economy Achieves 'Soft Landing' for 1989

(Continued from page 10)
sales due to strength in employment, especially in Nebraska, Minnesota, and Iowa, North and South Dakota are weak, however.

South Atlantic

The South Atlantic states have been a disappointment for discount store sales in 1989. Employment is strong, but the rise in sales appears to be only slightly stronger than in the Northeast. South Carolina is the strongest market for retail activity in the region, while Washington, D.C., is the weakest. Florida is unusual in that its employment growth is the strongest in the South Atlantic states, although sales growth is below average.

East South Central

Retail sales in the East South Central states are on the rise, up 5.5 percent year-to-date. Kentucky is the second strongest state in the region in employment, with its manufacturing sector especially strong. Total employment is up only 0.1 percent from a year ago with construction especially weak.

West South Central

The West South Central states have become the premier market for discount store sales gains in 1989. In spite of soft employment gains, this area is rebounding from near-recession conditions. Buyer demand has returned, and sales are exceptionally strong. Arkansas has been the strongest economy in the region since energy prices dropped, but sales are only moderate since it is in an early recovery stage. Texas has the second strongest gain in employment, and sales are soaring.

While total retail sales rose 4.8 percent in Texas, there has been a stronger gain of 12 percent for department stores. Louisiana and Oklahoma have been weaker than Texas because they have a larger dependency on energy mining.

Mountain

The Mountain states are enjoying the second strongest gains in total retail trade in the nation following the Pacific states. Department store sales, a better indicator of the discount store market, were up 10 percent year-to-date. Nevada is, far and away, the fastest growing state in terms of employment, not only for the area but also for the nation.

Pacific

The Pacific states have been the strongest market for retail sales in the nation this year. Washington, Alaska, and Oregon have become the locomotives for the regional economy as exports boosted their economies. California has become the slowest growing state in the region and the slowdown in defense spending threatens to hurt the local economy in 1990 as well.

New England

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Connecticut	0.9%	6.4%
Maine	0.8	4.6
Massachusetts	0.7	2.0
New Hampshire	1.4	6.8
Rhode Island	0.7	4.0
Vermont	1.2	5.1
Total Region:	**0.9%**	**4.6%**

Source: DSN/Mount Economic Consulting

West North Central

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Iowa	2.6%	6.4%
Kansas	2.0	3.4
Minnesota	2.7	3.7
Missouri	1.3	3.2
Nebraska	3.8	6.1
North Dakota	0.7	3.2
South Dakota	0.4	4.3
Total Region:	**2.1%**	**4.8%**

Source: DSN/Mount Economic Consulting

West South Central

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Arkansas	2.9%	7.7%
Louisiana	1.2	5.6
Oklahoma	0.4	5.7
Texas	2.3	4.8
Total Region:	**2.0%**	**5.7%**

Source: DSN/Mount Economic Consulting

Middle Atlantic

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
New Jersey	1.0%	1.9%
New York	1.0	3.3
Pennsylvania	1.1	2.8
Total Region:	**1.0%**	**2.8%**

Source: DSN/Mount Economic Consulting

South Atlantic

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Delaware	3.5%	4.8%
Wash., D.C.	2.3	−2.8
Florida	3.9	0.9
Georgia	1.7	5.4
Maryland	1.6	−0.5
North Carolina	1.8	5.6
South Carolina	3.9	8.5
Virginia	4.1	−0.2
West Virginia	0.0	3.0
Total Region:	**2.8%**	**2.3%**

Source: DSN/Mount Economic Consulting

Pacific

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Alaska	4.3%	8.9%
California	2.7	9.9
Hawaii	3.0	8.1
Oregon	4.0	11.9
Washington	4.7	10.5
Total Region:	**3.1%**	**9.7%**

Source: DSN/Mount Economic Consulting

East North Central

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Illinois	1.5%	3.0%
Indiana	2.7	5.4
Michigan	1.7	9.5
Ohio	2.5	5.4
Wisconsin	2.0	5.8
Total Region:	**2.0%**	**5.7%**

Source: DSN/Mount Economic Consulting

East South Central

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Alabama	1.1%	3.7%
Kentucky	1.7	3.9
Mississippi	1.8	4.8
Tennessee	0.1	7.3
Total Region:	**1.0%**	**5.5%**

Source: DSN/Mount Economic Consulting

Mountain

State	Employment Percent Change Year Ago	Retail Sales Percent Change 1988-1989
Arizona	1.3%	9.3%
Colorado	1.0	6.8
Idaho	3.0	8.2
Montana	1.6	6.4
Nevada	6.7	11.8
New Mexico	3.0	9.2
Utah	3.7	10.5
Wyoming	1.5	6.4
Total Region:	**2.4%**	**8.6%**

Source: DSN/Mount Economic Consulting

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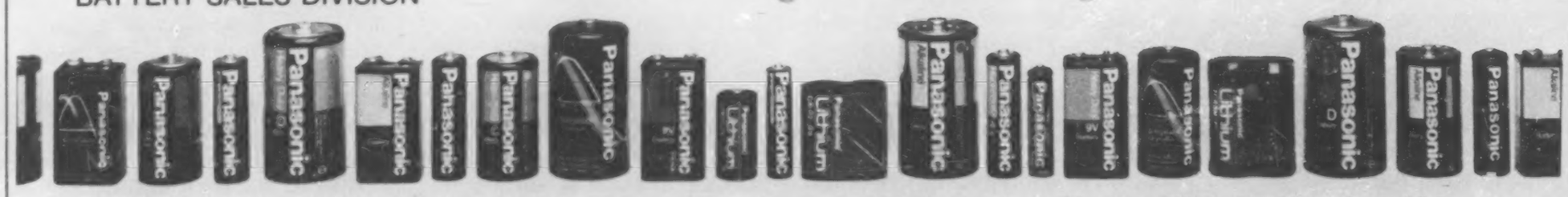

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K mart Unveils Tabletop Line

TROY, Mich. — The new "At Home With Martha Stewart" tabletop line was officially unveiled at all K mart stores Oct. 15. Included in the line are four stoneware sku's, two stemware sets, a stainless steel flatware set, and two table linen collections.

Each of the lines under the Martha Stewart tabletop umbrella are priced to be roughly on par with or slightly higher than similar products in the category.

The stoneware is manufactured by Newcor and is sold under the Westport Classic name. Two colors—shell pink and desert aqua—are available in either a wide-band or narrow-band pattern. The wide band is a solid colored rim; the narrow band decorates the rim with two thinner bands of color. The sku's are packaged as 20-piece services for four, priced at $39.97.

Stemware is available in a 10-oz. wine glass or a 12-oz. water glass. Both have a twisted stem for a spiral effect. The stemware is boxed in sets of four for $18.97. Libbey is the vendor.

Riverside Classic is the label on the flatware by Stanley Roberts. A 20-piece set for four retails for $22.97.

Town & Country supplies the Willow Pond Garden tabletop linens. The pattern is a floral and plaid combination in both the shell pink and desert aqua colors to coordinate with the stoneware. The tablecloths are priced between $9.99 and $15.99.

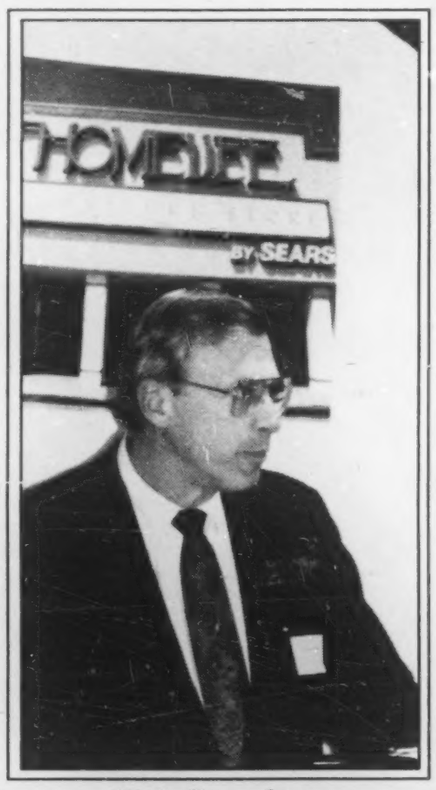
Napkins that match the tablecloths are part of the collection, as are napkins with the plain design but no floral elements. Napkins are two for $3.99. The Willow Pond Garden products are made of a 50/50 cotton-polyester blend.

A second line of table linens are supplied by Leschner, made of 80/20 cotton-polyester. Tablecloths, napkins and placemats are designed to match the colors of the stoneware in a fine grid pattern. This line is positioned to be a trade-up grouping.

Store Rollout Is Put on Hold

HIGH POINT, N.C.— The logistics of distribution, transportation and warehousing will need to be addressed before Sears can "aggressively expand" its Homelife furniture store concept, said Eric Saunders, senior executive vice president, wearing apparel and home fashions, and Jerry Hand, vice president, home fashions.

Speaking at the International Home Furnishings Market in High Point, the men said Homelife expansion hinges on the opening of four cross-dock centers. One of the centers was slated to open in Indianapolis at presstime. The other facilities in Memphis, Tenn., High Point and Los Angeles are all scheduled to open during the first quarter of 1990. A POS reservation system that will act as an interface between vendors and Sears is being implemented now.



Eric Saunders

Newell Wins AHMA Award

FREEPORT, Ill. — Newell Window Furnishings won an award for outstanding merchandising design at the 1989 Packaging Exposition sponsored by the American Hardware Manufacturers Association.

Called Accents on Shades, the window shade decorating product provides consumers with a choice of 16 self-adhesive ribbon and lace trims, as well as a special adhesive strip to which any wallpaper border or fabric can be applied.

In above photo, Patricia Lee, Newell merchandising services manager and Jeff Genoways, Newell product manager display the award.

Promo Debuts In Major Cities

FARMINGDALE, N.Y. — Regent Sheffield has targeted New York and Los Angeles as launch cities for its new TV ad campaign.

The commercials are the first step in what is to become a national promotion. The New York and Los Angeles commercials will sponsor leading talk shows and morning news. The spots are airing from Oct. 30 to Dec. 18, promoting the cutlery manufacturer's Laser Never Needs Sharpening line.

Jay Cotler, vice president, sales and marketing, said, "The strategy adopted consists of running these high profile shows with multiple frequencies in order to help pull the product off retailer shelves. This is the kind of support we're planning to offer nationally within the next few years."

'Warehouse Club Pack' Debuts

NEW YORK — Best Brand Products, a supplier of vinyl place settings and tablecloths, has introduced a special "warehouse club pack" of both products. The packs contain three tablecloths each and are list-priced at $18, although clubs should be able to sell them at considerably less than that.

According to Best Brand's David Meyer, the Cannon-licensed goods, which coordinate with Cannon's kitchen products, have sold well at traditional discounters, and the addition of the new packaging will open up a new channel of distribution.

For information, call the company at (212) 684-7456.

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EDITORIAL

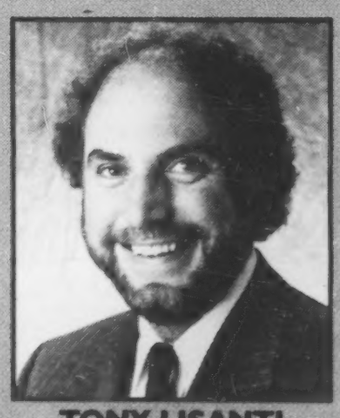
Sale or No Sale: Fashion, Not Price, Is the Issue

If you crave data and believe in consumer research then this special issue of *HomeMarket Trends* is must reading.

HMT's exclusive research study focuses on consumer purchasing behaviors in 12 merchandise categories. And as the cover headline states, "The Heat [*really*] Is On." It definitely will be a fiercely competitive market in 1990.

The second annual survey reveals buying intentions over the next 12 months as well as preferences for color, texture, and fabric. It also reveals the type of outlet consumers would most likely make a purchase as well as the factors considered in the decision to buy.

I'm not going to discuss all this information, which is reported in-depth throughout this issue by senior editor Pete Hisey and associate editor Mary Ellen Kelly beginning on page 4. Instead, I would like to comment on another finding of the survey: 81 percent of the respondents said they would wait for a sale to purchase bath towels. And my guess is that in other home fashions product categories most consumers would also wait for a sale before buying.



TONY LISANTI
Editor

Considering all the hoopla and emphasis over the EDLP (everyday low price) strategy among the nation's top retailers, there appears to be a mixed message from the American consumer. They want the lowest price everyday and they want a sale. And they are probably a little confused by it all.

Does the average consumer believe that today's price is the lowest price? And what happens when a particular item is offered at lower price under the guise of a "special purchase?" Who's fooling who?

There is still a lot of magic left in the word "sale." And certainly department stores will take advantage of this opportunity. But there is also a lot of magic in promoting an everyday low price.

The question is, does price—whether sale price or everyday low price—matter in a business driven by fashion?

The survey revealed that price was among the least considered factors in the buying decision.

Therefore, if you dazzle your customers with style, color and fashion, no matter how confused they are over the price, you're likely to make the sale!

Finding Just The Right Look

Suddenly-picky shoppers demand more progessive designs and colors that are exactly right

***Rose's new prototype store** in Waldorf, Md., utilizes bins on an aisle to generate impulse sales of sheet sets.* (HMT photo)

The heat is definitely on in the heart and soul of the home fashions business.

Consumers polled in an exclusive survey conducted for *HomeMarket Trends* by Fairfield Research Inc., said it will be much harder to sell them bed and bath goods in the coming year. They *intend* to buy less this year than last.

However, they also told us how merchants can get them to spend more. Retailers who offer coordinated departments, high fashion, color, quality materials and sharp prices will score with shoppers.

That has been the trend for the past four years. But this year, consumers said there will be little room for error. Colors will have to be just right and design stories will have to be more progressive to appeal to these suddenly-picky shoppers.

Sheets and Pillowcases

One of the bright spots in projected domestics sales is the sheets/pillowcases market, which consumers predict will total some 108 million sets in 1990. Nevertheless, that represents a significant drop from the amount Americans reported they purchased in the past 12 months.

About 47 percent of respondents said they plan to buy sheets and pillowcases in the coming year, with the average purchase expected to run to two and a half sets. However, 53 percent reported purchases in the past year, on the average of three sets per household. That works out to about 143 million sets sold last year.

Surprisingly, the popularity of queen sets, a dominant sector in earlier research, declined in 1989, as only 28 percent of those intending to buy said they would buy queen sizes. Twin and double sets were more popular, at 38 percent of respondents each.

Waterbed products also seemed to be popular, with 17 percent of those intending to purchase planning to buy waterbed sets.

Despite the increasing publicity given to thread counts, particularly in store circulars, the average consumer doesn't really know what they mean. Nearly half of those planning to purchase sheets and pillowcases had no idea what thread count they would look for. Those who were familiar with the concept evidently felt that more is better, as 28 percent said that they would buy 180-plus thread count goods, versus only 24 percent who would buy lower thread counts.

Bedspreads

About 30 percent of consumers said they bought bedspreads last year, and they seem to be happy with them. Only 24 percent will buy new ones this year, on the average of 1.6 units per household.

Larger sizes were more popular among those planning to purchase bedspreads and comforters. Together, queen and king accounted for 48 percent of planned bedspread purchases, although that total still trailed single and full (double), at 63 percent combined. The purchase of bedspreads is projected to decline by about 22 percent.

Comforters

Comforters may decline by much more, up to 33 percent. Single and queen sizes were clearly the most popular, with about a third of prospective purchasers favoring those sizes. Double and king sizes were less popular, at about 20 percent, and about 20 percent of comforters sold will be waterbeds.

Blankets

About 25 percent of Americans purchased blankets last year, and on average, they bought 2.3 units per household. In the coming year, about 17 percent of consumers expect to purchase blankets and they intend to purchase 2.1 per household.

The most popular size, according to the survey, will be double or full size (42 percent), followed closely by twin size (37 percent). Queen size will account for 29 percent of sales, with king size trailing the pack at 13 percent. Waterbeds will account for 11 percent of sales.

Cotton and cotton-blend blankets are clearly the most popular, with about 50 percent of consumers planning to buy those products. Only 13 percent preferred wool or wool-blend blankets, and another 6 percent preferred a nylon product.

Pillows

Those planning to purchase pillows this year clearly prefer standard-sized pillows, and nearly half intend to buy some sort of down or down/feather combination product. About one-quarter of those who are planning to purchase will choose synthetic fill, with a like percentage favoring foam rubber pillows.

The disturbing news here is that while 38 percent of households reported pillow purchases (three each) in the past year, only 25 percent said that they plan to purchase more this year, although they plan to buy slightly more each, 3.1 per household.

Area Rugs

Area and scatter rug sales will also suffer, with a 26 percent drop predicted. Prospective purchasers were evenly split on rubber-backed and all-fabric rugs (40 percent each), and 9 percent said they would buy both. Prospective buyers plan to buy 2.5 rugs each, and intend to spend a rather hefty $173 for those rugs.

About a quarter of respondents preferred a wool or wool-blend rug, and about the same percentage plan to buy synthetic rugs. A similar percentage (23 percent) preferred 100 percent nylon.

Bath Towels

Over half of respondents reported purchasing bath towels in the past year, buying on average 6.4 towels per household. About 43 percent will buy towels in the upcoming year; they plan to buy about six towels per household.

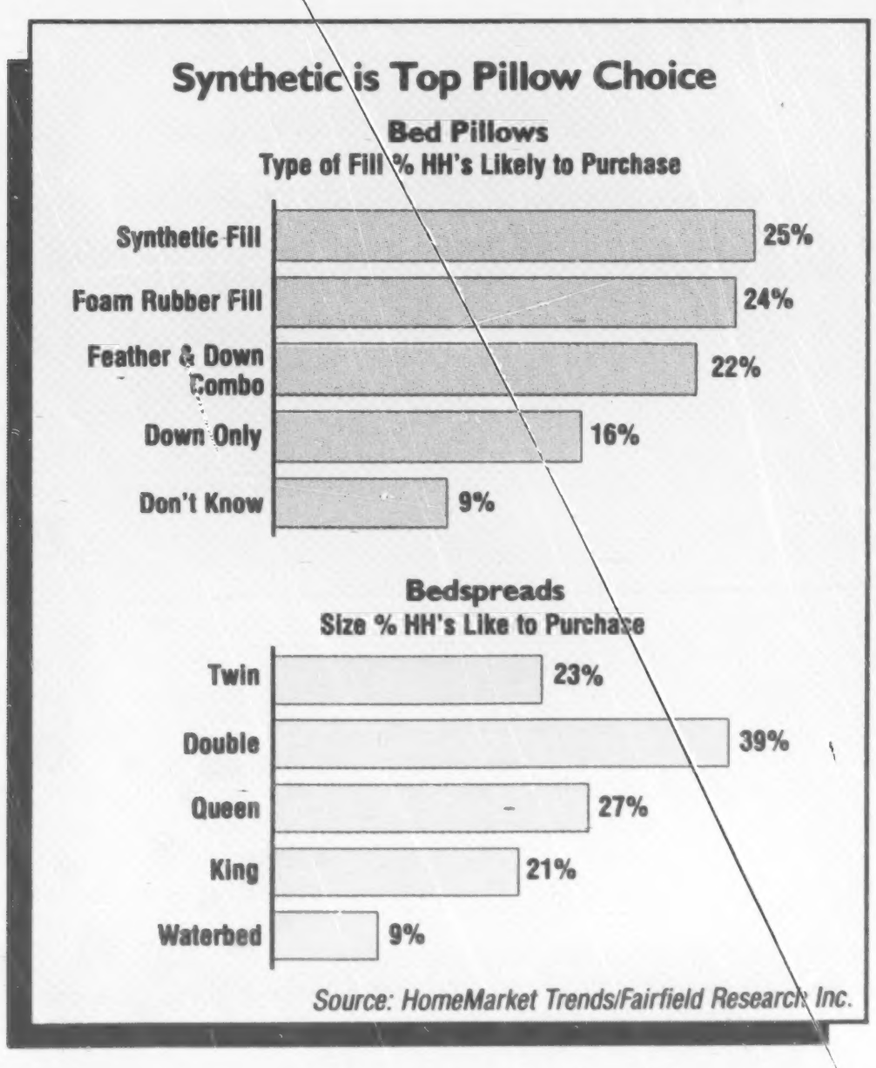
Will Americans buy towels by the set, as retailers no doubt would prefer? Well, yes and no. About 40 percent said that they planned to buy sets, while 55 percent said that they would buy on a towel-by-towel basis. However, given that a retailer's business is building add-on sales, it would appear that the combination of those who intend to buy sets coupled with a predictable number of others who will be merchandised into buying them indicates that set sales should be strong in 1990.

Most Important Variables in Major Purchases

Ranked by Importance to Consumers

	Area Rugs	Sheets	Spreads	Pillows	Towels	Bath Rugs	Com-forters	Blankets
Color	1	1	1	—	1	1	1	4
Price	2	3	4	3	2	3	4	3
Pattern	3	5	2	—	4	4	3	5
Material	4	2	3	4	3	3	2	2
Brand	5	4	5	5	5	5	6	6
Warmth	—	—	—	—	—	—	5	1

Numbers indicate rank in importance of each attribute *Source:* HomeMarket Trends/*Fairfield Research Inc.*



The same is not true, according to the research, for prints. An overwhelming 77 percent of prospective shoppers said they preferred solids while only 9 percent reported plans to buy prints.

Regarding size, about 60 percent of prospective buyers planned to purchase regular-size bath towels; most of the remainder preferred oversized products.

Consumers were equally clear on materials. Over two-thirds preferred 100 percent cotton towels, with most others preferring a blend, on average 60 percent cotton.

Another two-thirds of those intending to purchase said they preferred terry loop products, while 22 percent preferred cut loop or velour.

And in good news for those intending to look for repeat sales, a clear majority (66 percent) said they valued absorbency over durability. Only 18 percent felt that durability was more important than absorbency.

Shower Curtains

About 20 percent of consumers said they plan to buy one or more shower curtains this year, down from 30 percent who said they purchased one or more in the past year. They expect to purchase 1.5 curtains.

Of those planning to buy, about one-third said they would purchase a "designer" type curtain, with most of the remainder planning to opt for a plain or unembellished model. Of those choosing designer products, there was an even split between those preferring a single panel model and those looking for double panels, with 5 percent undecided.

Over half of all respondents planning a purchase said that they will buy a valence model. A similar percentage (52 percent) preferred a plain curtain; 47 percent said they preferred a tie-back product.

Slightly over half of prospective purchasers said they preferred a plastic or vinyl shower curtain. Another 23 percent opted for a fabric and plastic combination, while another 21 percent said they would buy an inner/outer panel combination.

Over half of consumers said they preferred solid-color shower curtains; about 40 percent preferred a print.

Bath Rugs

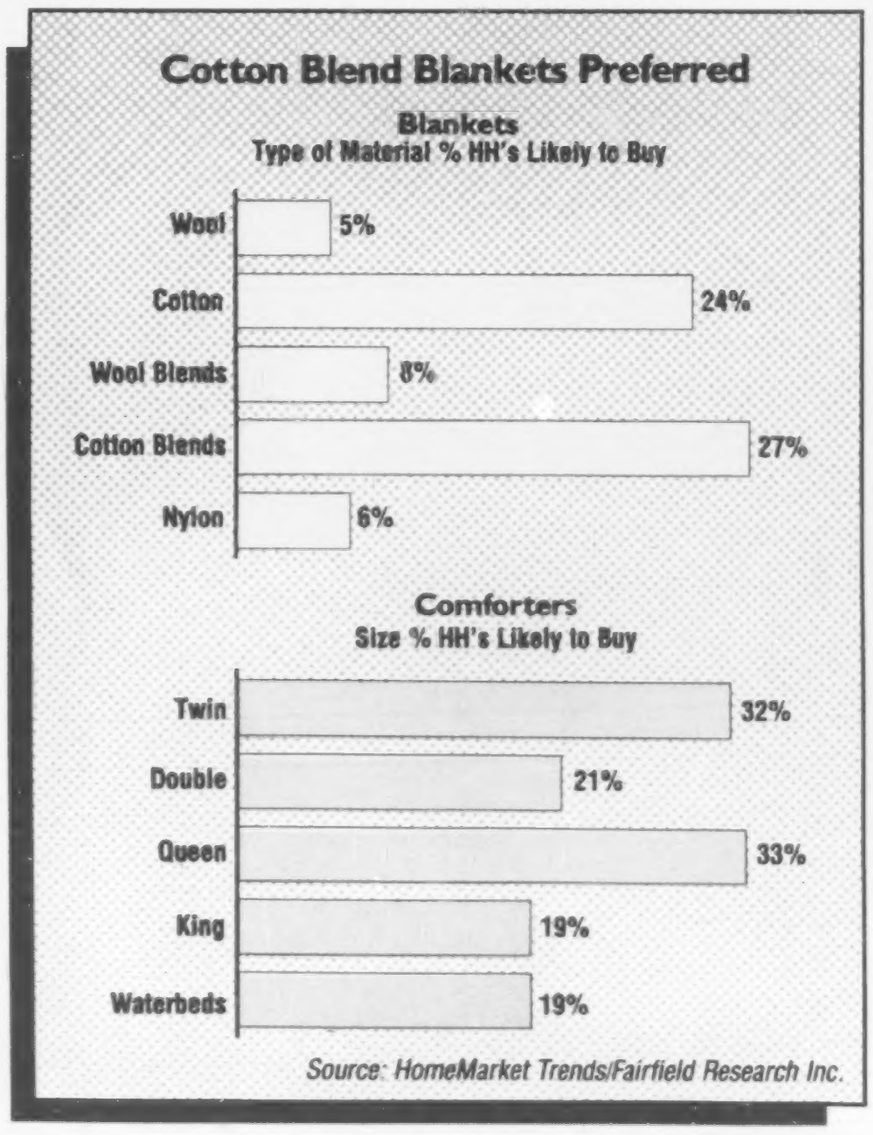
Last year, about one-third of consumers bought bath rugs; this year, about one-fourth said they plan to make a purchase. Both groups averaged or plan to average 1.9 rugs per household.

As was the case with bath towels, a little under 40 percent plan to buy bath rugs in a set, with most of the rest buying on an individual basis.

About half of prospective consumers said that they prefer low shag rugs, while about one-quarter preferred high shag products. Nearly 20 percent planned to buy a tight weave or nap product.

There seems to be a dichotomy between where Americans said they will shop and where they actually end up buying products, particularly in domestics. In classification after classification, department stores finished at or very near the top in preferred retail sources, while actual shopping patterns (and earlier research concerning where products were actually purchased) show a gradual decline in department stores as the primary sources for domestics.

Over 40 percent plan to buy their sheets and pillowcases at department stores; another 25 percent (split evenly) plan to shop at Sears or JCPenney; and 20 percent will shop at discounters.



The figures for bedspreads tell a similar story. Nearly 40 percent of shoppers plan to patronize department stores; 31 percent view Sears or JCPenney as primary sources; 14 percent will patronize a discounter; 5 percent said "other," presumably a specialty store; and a rather large 14 percent weren't sure.

The outlook was even dimmer for discounters in the comforter market, where less than 10 percent of consumers said that they plan to shop at discount stores. Over 40 percent chose department stores, and another 20 percent opted for either Sears or JCPenney. Specialty stores, part of the "other" classification, accounted for 11 percent of prospective sales.

Consumers felt that discounters were a good source for pillows. Although 45 percent of consumers said they would go to a department store, another 30 percent named a discounter. Only 7 percent named Sears; 11 percent named JCPenney.

But discounters took it on the chin in the bath towel business. Less than 20 percent of prospective shoppers said that they would look to discounters as sources, while 44 percent preferred department stores and 26 percent chose either Sears or JCPenney.

Bath rugs were another story (which conflicts sharply with the earlier finding that consumers were likely to buy rugs in sets). Nearly one-quarter of respondents will buy at discount stores, close to the total for department stores (33 percent) and the Sears/JCPenney combo (26 percent). Similarly, about one-third will shop at discounters for shower curtains, equal to the number who will buy at department stores.

Blankets

Blanket buyers were more likely to buy at discount stores (25 percent), but were also likely to buy at department stores (43 percent). Sears and JCPenney combined for 18 percent.

Those seeking area or scatter rugs plan to spread their business around. About one-third will patronize department stores; slightly less than that (28 percent) will choose some sort of discount outlet; and about 20 percent will opt for Sears or JCPenney.

Price, brand name, materials and so on are important, prospective purchasers said, but color is No. 1. Of seven bed and bath product areas where color is applicable (bed pillows are the exception), color was a convincing first place in all seven except blankets, where material, price and warmth were judged more important.

After color, consumers will look at material most often, especially in sheets, comforters and blankets. In towels and area rugs, price will be the second most important factor.

Pattern will matter most in bedspreads, but it is very important in comforters and area rugs as well. Price is of relatively great importance (in addition to the product areas already mentioned) in sheets, pillows, bath rugs and blankets, but is of relatively little importance in comforters and bedspreads.

Brand name, according to the survey, is of relatively little importance. In every category except sheets, brand name was the least emphasized quality mentioned.

In the two categories where specific color preferences were given, sheets and bath towels, blue was an overwhelming favorite. However, it was much more in favor in the bedroom, where 38 percent of consumers said they were most likely to buy blue sheets and pillowcases.

A little less than 30 percent preferred blue in bath towels, a significant drop.

Pink was the second most popular color (11 percent) in bed sheets. Rose or mauve finished third, at about 9 percent, followed by peach/salmon at 7 percent, and yellow and green, both at 5 percent.

Yellow didn't fare nearly as well in the bath, where it didn't even make the list, but green was a relatively strong fourth-place finisher.

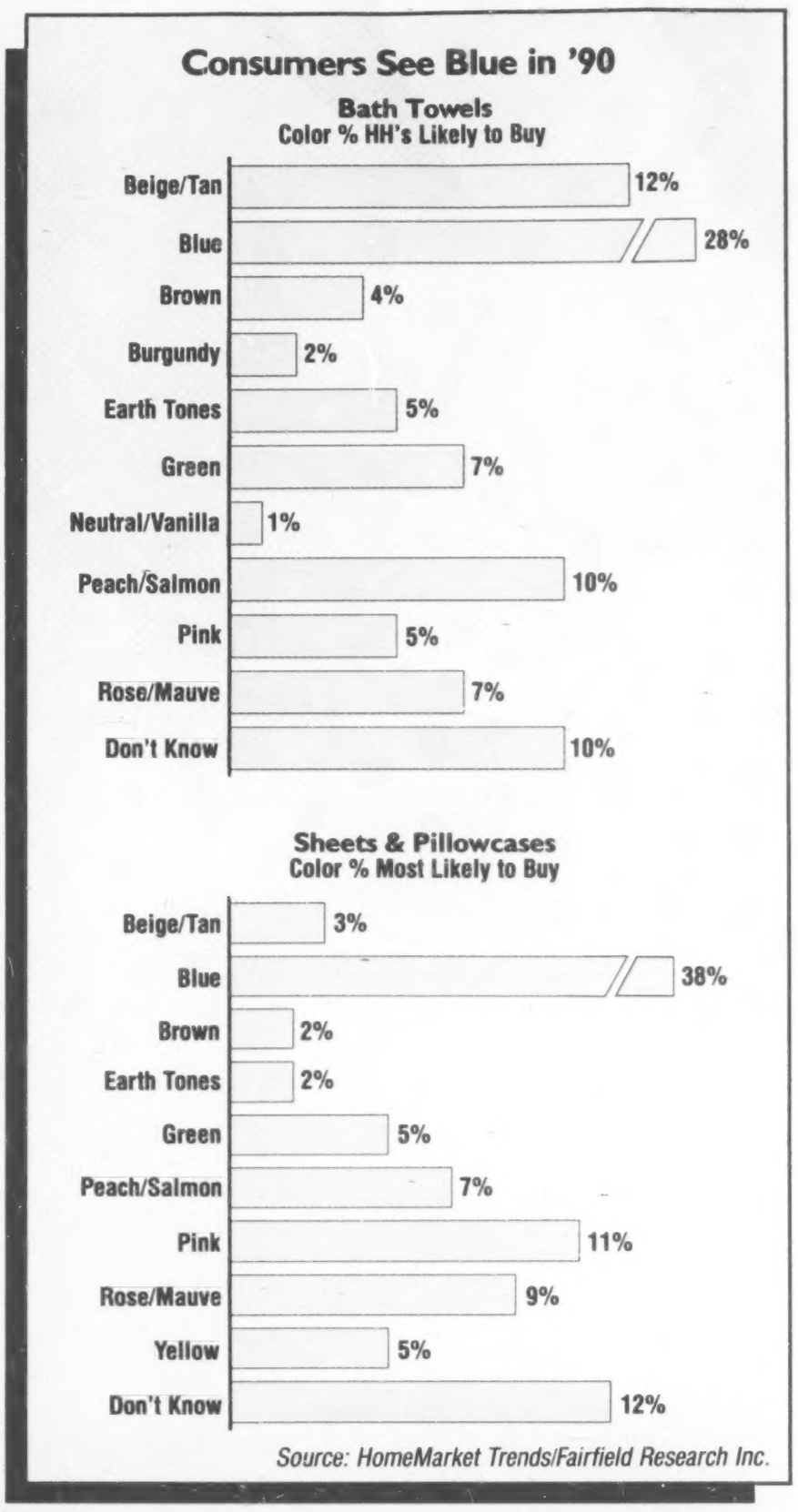
Brand preference was requested only in bedspreads and pillowcases, and, although Cannon was a clear winner overall, the brand name did not sweep the poll as has been the case in some other research. What is most interesting is that consumers seem to be aware of a wide variety of brand names.

In sheets and pillowcases, Cannon garnered about one-fifth of preferential mentions, followed by Penney's (not, of course, a brand), Lady Pepperell, Sears, Dan River and Pacific.

Just as consumers answered that color and design are more important than price in their purchase decisions, they have quoted some fairly hefty prices when asked just how much they expect to pay for home fashions products.

For instance, consumers said that they expect to pay $83 per set of sheets, which is more a designer than a mass market price point. Similarly, consumers said that they expect to spend nearly $120 for a bedspread, and nearly $300 for a comforter.

On the other hand, shoppers evidently expect to keep their spending in line in other areas to pay for the splurge in bedding. For instance, consumers expect to spend $26 on shower curtains, a not-unreasonable expectation. ■



View Is Bright, Colorful

Window treatments will be a strong category in 1990, and color will influence most buying decisions

Self-service display at K mart: *Over one-third of consumers expect to buy window treatments this year.* (HMT photo)

Over one-third of consumers will be in the market for new window treatments this year, according to a survey of American consumers conducted for *HomeMarket Trends*.

Unlike most other segments of the study, conducted by Lincoln, Neb.-based Fairfield Research Inc., window treatments will be a relatively strong category in 1990. Less than 40 percent of consumers surveyed reported buying some form of window treatment last year; about 36 percent (a 3 percentage point decline) said that they plan to purchase such products in the coming 12 months.

Of those consumers planning to purchase, 78 percent said that they will purchase curtains, while another 51 percent will buy blinds (the discrepancy is accounted for by those planning a layered look, presumably).

Consumers planning to purchase draperies insist on washability by a wide margin; nearly 80 percent said washability (as opposed to dry-clean) was "very important" to their buying decisions.

About one-third of curtain/drapery buyers said that they intend to buy pinch-pleated draperies, while 24 percent preferred rod-pocket products. Nearly 20 percent didn't know what type they would purchase, while 6 percent had some other product in mind.

About one-fifth of those planning on curtain purchases said that they would buy curtains with a topper/valence.

Over half of those planning to buy blinds intended to purchase off-the-shelf products. About 40 percent said that they would opt for custom-made blinds. This runs counter to the prevailing trend of increases in off-the-shelf. It may be that consumers are somewhat unaware of the price differential involved, although the relative wealth of respondents may create a bias toward custom products.

Vinyl blinds were the most popular among consumers planning a blinds purchase, at 43 percent. Aluminum was second most popular, with 22 percent of consumers choosing that material. About one-sixth of consumers said that they would opt for fabric-covered blinds, and another 7 percent preferred wood products.

Only 5 percent of consumers said that they would choose micro blinds. Mini blinds (53 percent) were, predictably, the most popular, followed by vertical blinds (30 percent) and traditional venetian blinds (strong at 20 percent).

The layered look was very strong with consumers. Apart from those who said that they were planning to purchase both soft and hard looks, a full 55 percent of potential blinds purchasers said that those blinds would be mounted on windows that already have drapes. Another 16 percent said that they would mount some of the blinds with drapes, while only 27 percent plan to mount them alone.

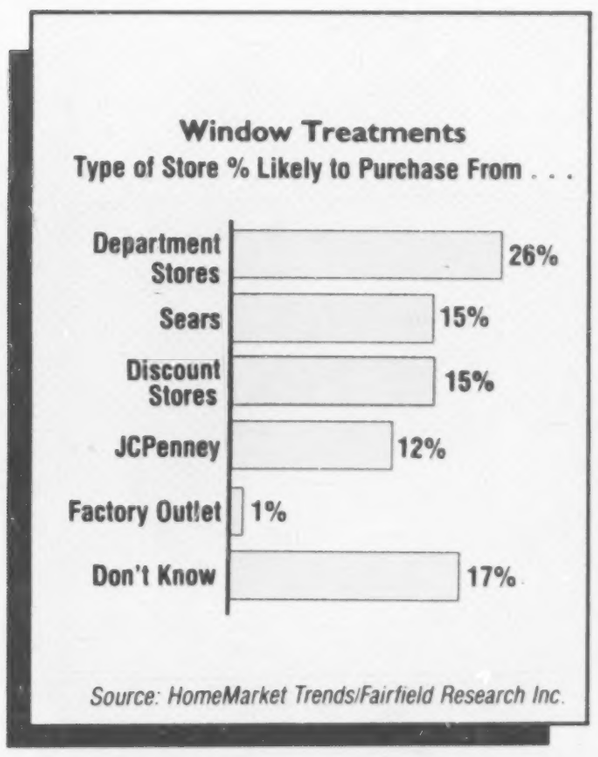
Consumers were clearly open-minded about where they will buy their window treatments. About one-quarter said that they would patronize a department store, while a similar, but somewhat higher, percentage (27 percent) opted for Sears or Penney. Another 16 percent chose a discount store, while 13 percent chose "other," presumably specialty chains.

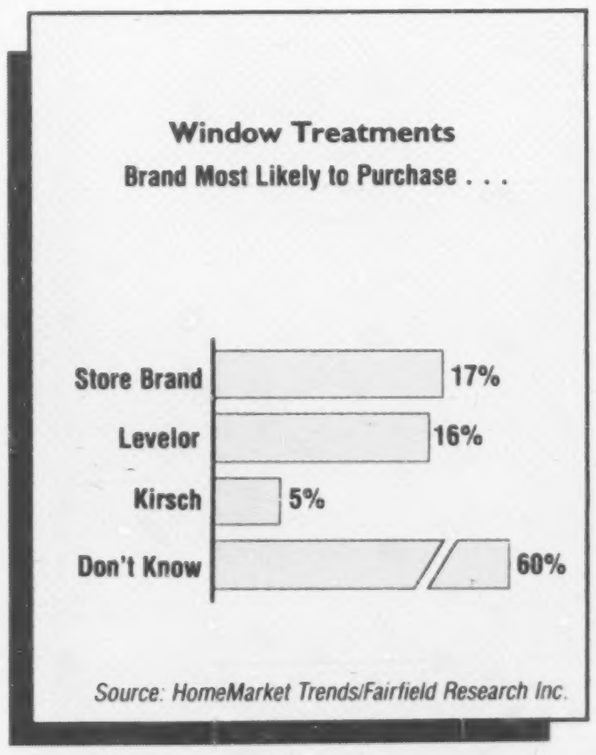
Window treatment consumers are no less interested in fashion than are those planning to purchase more predictably "fashion" merchandise like comforters and sheets. Among those planning to purchase, color was the most important attribute in the decision-making process.

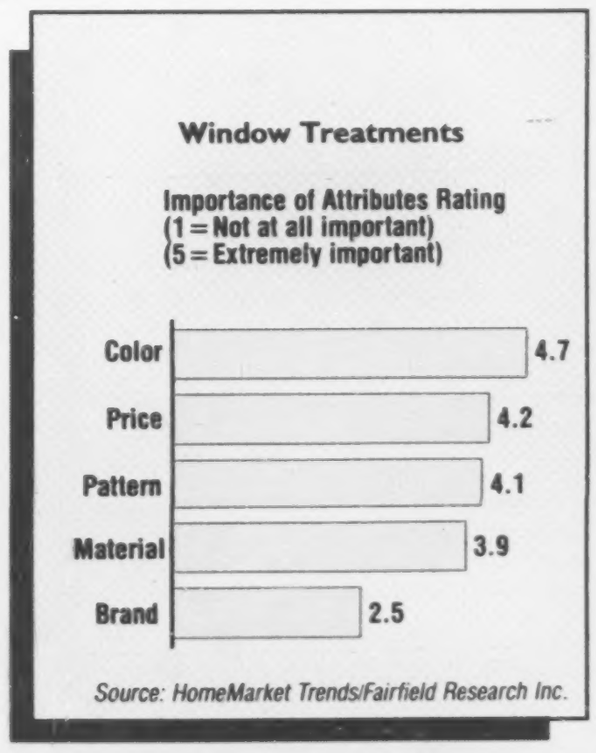
Price followed (but not closely) in second place, with pattern and material only slightly off the mark in third and fourth places. On a scale of 1 to 5 (least to most important), color scored a 4.7 rating; price followed with 4.2; pattern, 4.1; material 3.9; and brand name, 2.5.

Of those aware of brand names, the greatest number (16 percent) cited Levolor, with Kirsch the only other brand with more than a 5 percent mention rate. Store brand was the most popular designation (17 percent) unless one counts "don't know," which garnered 60 percent.

They are also (with the possible exception of wood-blind shoppers) a rather profligate bunch. On average, they expect to pay $304 on window treatments this year, but the study could not determine how many they expect to get for that amount. ■







A Strong Case For Higher Quality

Growing consumer preference for higher-quality furniture offers lucrative opportunities

Discount stores, like Rose's (above), *continue to devote more space to RTA furniture.* (HMT photo)

It looks like a relatively strong year for ready-to-assemble furniture. On the average, about 15 percent of consumers plan to buy some sort of RTA furniture, with bookcases, living room furniture and entertainment centers the most popular products. That marks a decline of some 25 percent over those who reported a purchase in the past year, but compared with other categories, RTA seems more likely than most to hold its own.

Over one-fourth of Americans are in the market for RTA bedroom furniture, with younger consumers more likely to buy than older shoppers. According to a survey conducted for *HomeMarket Trends*, retailers in the North Central region of the country are due for an RTA bonanza, as over one-third of consumers in that area reported plans to make a purchase in the coming year.

The news is even better in the living room, where some 40 percent of consumers plan to buy RTA furniture. The South Central region, at 56 percent, will be the primary beneficiary.

RTA entertainment centers were just slightly less popular, with 36 percent of consumers planning a purchase. The North Central and Northeast regions will see the most sales in this area.

According to the survey, the RTA market appears poised to go upscale. The market grew rapidly over the past several years as higher-quality and better-looking merchandise became available to consumers at lower prices. This boom for discount stores has not been overlooked by more upscale department stores and specialty retailers.

When asked where they planned to shop, potential purchasers were as likely to name a department store as a discount store (20 percent each). However, department stores were much stronger in every other home fashions category considered by the survey.

The survey, conducted by Fairfield Research Inc., of Lincoln, Neb., outlines a competitive pattern for 1990: discounters' traditional dominance of the category will be tested by department stores.

With RTA furniture catching the eye and wallet of more affluent consumers, some RTA manufacturers have decided to create lines geared toward the furniture and department store consumer.

K mart and Wal-Mart were each mentioned by 6 percent of consumers. In addition to the combined 12 percent who said they would shop one of the nation's two leading discount chains, another 7 percent mentioned discount stores as the type of store they expect to shop for RTA in the coming year. Seven percent of respondents said they would do their RTA shopping next year at Sears.

Consumers, on average, said they expected to spend $226 per piece of RTA. However, fewer consumers are planning a RTA purchase in the coming 12 months compared with the number that actually made a purchase in the past 12 months.

Additionally, those that do intend to buy are planning to purchase fewer pieces than they did last year. Twenty percent of those surveyed said they bought RTA in the past year; 15 percent plan to buy this year.

Last year, the 20 percent that bought RTA, on average, bought two pieces. The 15 percent that plan to make a purchase this year believe they will buy, on average, 1.7 units. However, what these consumers plan to buy might be different than what vendors are banking on.

Manufacturers, alert to an interest among consumers for home office furniture, are adding numerous sku's to their assortments this year to satisfy this perceived demand.

But the study suggests that the main area of interest is not desks, as expected, but bookcases. Based on the study, bookcases will be the most-wanted item, with 43 percent aiming to buy that particular item. Desks, on the other hand, are on the shopping lists of only 17 percent of consumers surveyed.

Despite ventures into more exotic wood tones and veneers, light oak was mentioned by the greatest percentage of prospective buyers as the finish they desired.

Name brand recognition is certainly an area where vendors could improve. According to the survey, consumers were not familiar with and really didn't care about brand names in this category. On a scale of 1 to 5, where one is not at all important and five is extremely important, the brand name scored 2.7.

While brand is not a top criterion for selecting furniture, price is also lower than it probably would have been a year or two ago.

Sturdiness, style and wood/color took the first, second and third most important spots, ranking 4.8, 4.4 and 4.4, respectively.

Price, the fourth most important RTA element, was rated at 4.2 on the scale, still a strong consideration.

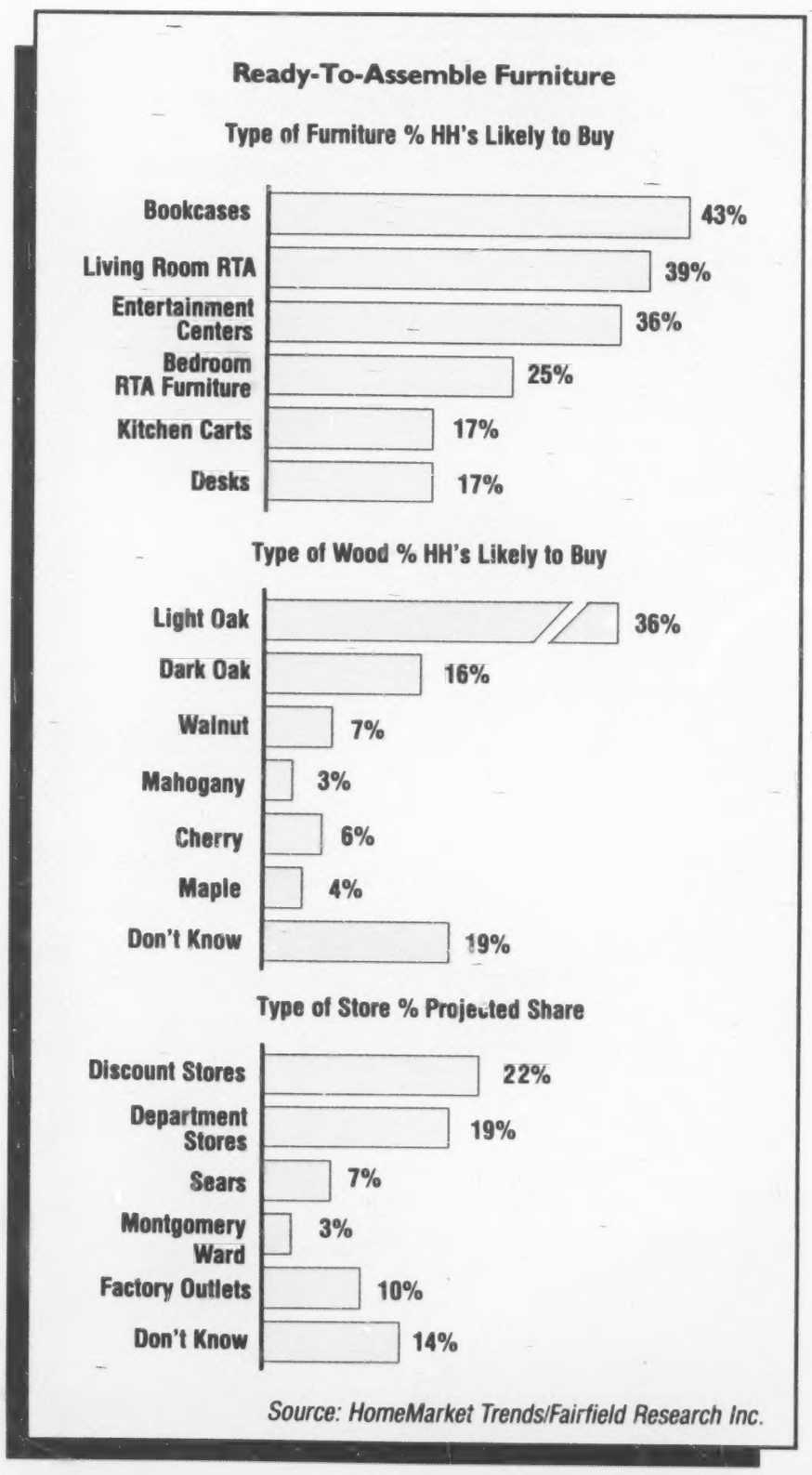
RTA differed slightly demographically from most other home fashions categories in that potential consumers are mostly younger than, for instance, potential buyers of comforters. The largest number of shoppers was clustered in the 18-to-34 age group. Additionally, younger consumers were much more likely than older ones to consider exotic finishes.

Overall, consumers were averse to spending money to have their purchases assembled. When asked what they would be willing to spend, 36 percent answered "nothing," and another 25 percent weren't sure if they would spend or not. Another 12 percent were willing to pay $10 or less, with about 25 percent of consumers willing to spend $11 to $25.

Age also played a part in shopping patterns. Middle-aged consumers (35 to 44) were most likely to patronize a department store. Their parents, however, were by a lopsided margin, discount store shoppers.

Age played a small role in price consciousness, although younger consumers were more likely to judge it "extremely important" and older shoppers were more likely to say it was "not at all important."

However, younger consumers considered ease of assembly very important, at a rate comparable to that of the oldest consumers. ■



***Discount stores are consumers first choice** of outlet when buying stoneware, according to a new study.* (HMT photo)

Upscale Settings Add Luster

Study reveals that crystal, silver could find a niche in the discount store arena

Discounters are already the toast of the town in tabletop sales, but an exclusive survey conducted by Lincoln, Neb.—based research firm Fairfield Research Inc. for *HomeMarket Trends* suggests that adding crystal and silver to stoneware and coffee mugs might lead to further cheers, both from discounters and consumers.

A survey of 451 households conducted across the United States earlier this year found that discounters were named more often as the retailer of choice for purchases of everyday glassware, stainless steel flatware, everyday china, melamine dinnerware, stoneware and coffee mugs.

The study also revealed that intensified marketing efforts are needed by most tabletop manufacturers, based on the small number of people who could single out a particular brand they were interested in buying.

Store brands were named more often in some product categories than national brand goods. Private label lines are apparently a viable tabletop avenue for some retailers.

While respondents mostly go to department stores to purchase crystal and silver, there is reason to believe, based on the survey's findings, that they would shop a discounter for these items if they were available.

The study revealed that the majority of people in the market for everyday glassware—a product grouping that consumers buy most often at discounters—were also interested in buying crystal flatware, silverplated/sterling pieces, and other traditionally department store products.

Of the people who said there was a good chance they'd buy everyday glassware during the next year, 85 percent were also in the market for silver merchandise. Those looking for everyday glassware were also in the market for crystal (71 percent).

Theft and breakage are certainly reasons not to stock Waterford or Lenox in a typical K mart or Wal-Mart. But the respondents were interested in buying pieces that were not in the highest price echelons. Consumers said they expect to pay an average of $14.49 per place setting for crystal glassware. For silverware, they expect to spend $20.50 per setting, on average.

These prices seem especially low when compared to expected per setting prices for everyday pieces. Stoneware and everyday china is expected to cost $12 per place setting; stainless flatware, $8; coffee mugs, $3.77 each; everyday glassware, $4.33.

The development of breakage-resistant packaging by manufacturers could help discounters sell crystal and sterling, even though these price points are above the typical tabletop range. The large population that plans to buy everyday glassware—and is also in the market for more formal tabletop items—is likely to go to a discounter for the glassware. While they're there, why not pick up crystal or silverplate, if it is being sold?

Low brand preference for nearly all tabletop merchandise further indicates opportunities for discounters to sell these higher-ticket items.

For instance, only 16 percent of all those surveyed named a brand they wanted in crystal glassware. Even Waterford, the most frequently mentioned brand in this group, was named by a mere 4 percent of the total. Another 3 percent mentioned Lenox.

The top named "brand" for cocktail or wine glasses was "store brand." While mentioned by only 2 percent of consumer, "store brands" tied with Waterford for top brand. Only 10 percent could name a wine glass brand that they might want to purchase.

Among silverplated or sterling silverware products, Rogers was mentioned by 4 percent; Oneida was the preference of 3 percent. While others were mentioned, only 13 percent volunteered a brand preference.

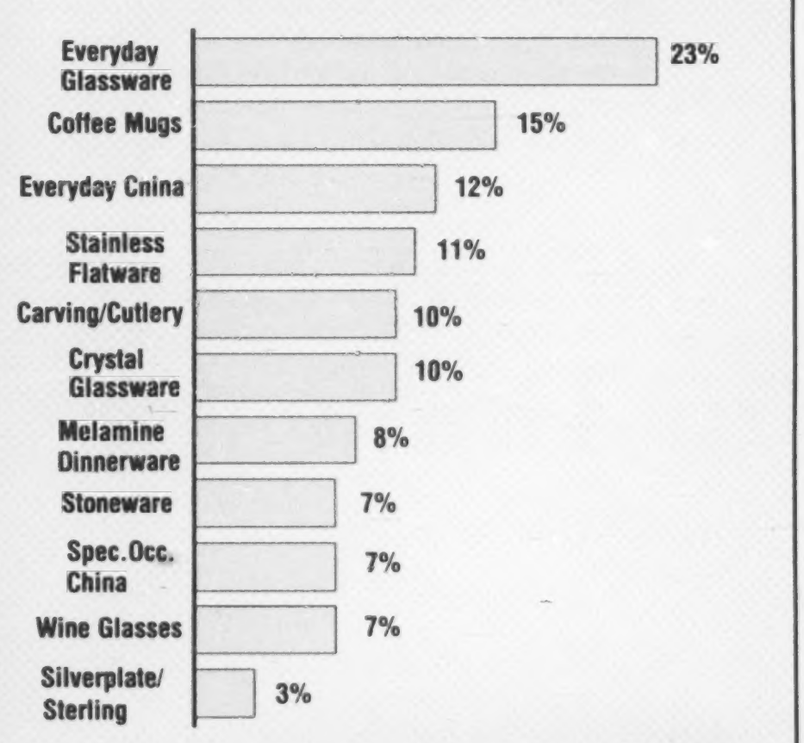
Further opportunities for discounters have been created following Sears' report that it will no longer be in the tabletop business but will focus instead on appliances, furniture, window and floor coverings, domestics and decorative accessories.

The tabletop study showed that Sears was the preferred retailer among mass merchants; it was mentioned more often for all tabletop products than all specialty stores combined. Sometimes it was preferred over K mart. Sears' exit from the tabletop business will no doubt present opportunities for retailers who shared a market with Sears.

Only Sears was ranked higher than K mart for tabletop among the survey population, but only in the four areas of silverplated/sterling, wine glasses, special occasion china, and carving/cutlery.

K mart's most significant dominance in terms of mentions was in melamine dinnerware (13 percent), mugs (12 percent), everyday glassware (12 percent), and everyday china (11 percent). In each of these product areas, K mart was singled out more often than any other U.S. retailer.■

Tabletop Items Consumers Said They Might Buy During Next 12 Months



Source: HomeMarket Trends/Fairfield Research Inc.

Where Consumers Said They Would Go to Buy Tabletop

TYPE OF ITEM	DISCOUNT	MASS MERCH.	SPEC. STORE	DEPT. STORE	CAT. SHOW
Everyday Glassware	34%	8%	3%	19%	3%
Melamine Dinnerware	33	4	1	9	2
Coffee Mugs	32	6	4	10	2
Everyday China	28	6	3	23	5
Stainless Flatware	28	9	2	22	6
Stoneware	23	4	4	20	3
Carving/Cutlery	18	10	5	19	7
Wine Glasses	10	7	5	30	5
Crystal Glassware	8	5	4	35	4
Spec.Occ. China	6	8	2	36	4
Silverplate/Sterl.	5	6	1	34	5

Source: HomeMarket Trends/*Fairfield Research Inc.*

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MARKETWATCH

Redesigned Urban Zayre Opens in D.C.

SILVER SPRINGS, Md. — The first redesigned Zayre urban store opened in this Washington, D.C., suburb on Nov. 19. The remerchandised Zayre featured a racetrack layout, wider aisles, and, during a *DSN* visit, more fashion apparel, contemporary home fashions and expanded children's and plus-size departments. Hard lines areas like sporting goods, hardware and automotives had been cut back. Others, like lawn and garden, were eliminated entirely. Presently there are 61 former Zayre stores in parent Ames' urban division. They accounted for roughly $700 million in sales last year. Ames reported that all acquired Zayre stores, including the 61 urban sites, experienced a 15 percent sales drop in November, contributing to a $2 drop in Ames stock on Dec. 1.

QVC Has Record Thanksgiving Period

WEST CHESTER, Pa. — QVC sold a record $25.6 million worth of goods through its teleshopping shows during the four-day Thanksgiving period, $10.4 million alone on the Sunday after the holiday. The electronic retailer also named William F. Costello to the post of executive vice president, treasurer and chief financial officer. Costello, who was also named to QVC's board, had been Best Products' former president and coo, but left the cataloger following its leveraged buyout last year. QVC also named two cable TV industry executives to its board. They are Peter Barton, Tele-Communications senior vice president, programming, and Edwin W. Hamowy, Warner Communications senior vice president, strategic planning.

Costco to Sell Stock to Fuel N.E. Growth

KIRKLAND, Wash. — To help launch an entry into the Northeast and fund growth in existing markets, Costco Wholesale is looking to raise capital with a public offering of 2.5 million shares. The company currently operates 62 warehouse clubs and plans to add six locations in existing markets by next September. The following year it expects to open 12 to 15 locations, half of those in the Northeast. Specific sites in the Northeast have not been set. Richard Galanti, cfo, said the stock offering is needed to help fund the company's future growth, since Costco's cash flow falls short of expansion expenditures. The same was true for the past fiscal year, when the company's cash flow was $40 million but its expenditures totaled $121 million. In the last fiscal year, Costco opened 13 locations and remodeled 14 other sites.

Nichols Closes Unit; Jamesway Gets Lease

NEW YORK — S.E. Nichols continues to close money-losing stores, trimming store count to 35 from a 1986 high of 46. The latest to close was the unit in Matawan, N.J., the last one of three Nichols to fold in that state. It closed last month. Jamesway, Secaucus, N.J., is taking over the lease for the 90,000-square-foot unit and expects to reopen in February or March following major renovations. Over the past year, Nichols had closed six of eight units in North Carolina and two of three in Ohio in a move to shorten distribution lines and stem losses.

Smitty's Is for Sale Again; Deal Pending

PHOENIX — Smitty's, the general merchandise and grocery retailer based here, has been put on the block again, according to published reports. Socanav, the Montreal firm that purchased Smitty's from its owner Steinberg last summer, is negotiating with unnamed American and European parties in an attempt to close a deal by the middle of February.

Arvey to Open Store in Chicago Suburb

CHICAGO — Arvey Paper and Office Products is scheduled to open a new store in the Chicago suburb of Niles, Ill., this month. The new unit will be 18,000 square feet. At the same time, Arvey is closing its store in Elk Grove Village, Ill., since customers will be served from a larger location in Arlington Heights, Chicago. In addition, Arvey will relocate two stores, located in Portland, Ore., and Salt Lake City, Utah, to larger sites, early in 1990.

FOR THE RECORD

Castrol, the popular motor oil that ranked eighth on both of *Discount Store News*' Top Brands lists published in the Oct. 16 and Oct. 30 issues, incorrectly offered an alternative spelling to the brand name. Castrol is the only correct spelling.

A headline on a marketwatch item regarding K mart's third quarter results incorrectly characterized its net profits. Net income declined 17.5 percent to $104.1 million in the third period of 1989 from $126.6 million a year earlier, with the chain attributing the profits decline to its lower prices.

Hills 3Q Improves Slightly

But Discounter's Net Income Off From Last Year

CANTON, Mass. — Third quarter sales and income results for Hills Department Stores showed a slight improvement over the second quarter, but are still significantly off from 1988.

The 208-unit chain reported net income for the third quarter, ended Oct. 28, 1989, declined 26 percent from the same quarter in 1988, to $2.15 million. Sales for the quarter were up 18.7 percent, to nearly $526.8 million. Operating profit also rose, to $31.5 million, up 14 percent.

Compared to the same 39-week period a year ago, Hills recorded a net loss that was nearly three times as large as the one recorded in 1988. At the same time, sales for three quarters were up 23.5 percent to $1.35 billion.

Stephen A. Goldberger, Hills chairman and ceo, declined to comment at this time about the firm's financial status.

A press release reporting third quarter results included a comment by Goldberger attributing some of the quarterly decline to "record warm weather and lackluster shopping trends in the company's market area."

He also stated that Hills' new credit card acceptance program, begun Nov. 18, "is expected to have a positive impact on sales for the Christmas selling season, 1990 and beyond."

Compared to the second quarter, Hills' financial performance actually improved in the latest three month period. Sales were up 22.2 percent and the company turned a $25.2 million net loss into a $2.15 million net income, from the second quarter to the third quarter.

Although properly assimilating the 33 Gold Circle stores into the Hills picture has been difficult for the discounter and a factor in the company's problems, comparable store sales, too, have hurt the chain.

For the current third quarter, comparable store sales decreased by 0.7 percent, indicating that Hills' core stores are not helping the retailer support the costs of the new acquisition.

Competition is apparently having an impact on Hills and "they have not been as sharp lately," observed Jack Seibald, vp of Salomon Brothers, a New York investment firm.

Accepting credit cards is one step in the right direction, Seibald said, but he added he didn't think that was enough. He suggested that Hills take a more aggressive position in apparel, always a strong point for the discounter, and focus more attention on certain hard lines categories.

TSS Files Ch. 11; Plans Liquidation

By Laura Liebeck

BROOKLYN, N.Y. — TSS, the 13-unit discount department store chain, has filed for Chapter 11 bankruptcy protection and plans to dissolve its operation.

The discounter has a total debt of $55 million, said Herbert Edelman of the New York law firm of Levin & Weintraub & Crames, counsel to TSS. The firm's assets are tied to its store leases. The full value of those leases won't be settled until after the leases are sold at auction during the next month.

Since October, TSS had been trying to liquidate its in-store merchandise with the help of Schottenstein Stores, a Cincinnati-based liquidator and discount store operator, while trying to reorganize and sell the store leases on its own. It was also attempting to arrange redevelopment projects with some of the properties. However, TSS lost the battle to hold on to the chain on Nov. 30 when Citicorp, its banker, allowed its credit line agreement to expire, said Edelman.

TSS "tried to stay out of Chapter 11," said Edelman, adding that the company "could not accomplish everything."

TSS filed for Chapter 11 on Dec. 4.

On Jan. 22, Keen Realty Consultants, Great Neck, N.Y., will hold an auction to sell the 13 TSS store sites. Twelve of the stores are leased properties while one is owned outright by TSS.

Two days after that, on Jan. 24, Edelman and TSS are scheduled to appear in U.S. Bankruptcy Court for the Southern District of New York and present the purchase offers to the court for approval, said Edelman. Soon after that the chain will cease to exist.

TSS has been trying to liquidate its merchandise since October through the Schottenstein organization.

ALCO Opens Test Of New Prototype

MANHATTAN, Kan. — Duckwall-ALCO, while still in Chapter 11, is experimenting with a new prototype store here, 50 miles west of Topeka and 30 miles east of its Abilene headquarters.

Sources, which asked to remain anonymous, said the new store colors, company logo and department configuration are being tested as part of the chain's restructuring under bankruptcy protection.

The privately held full-line discounter filed for Chapter 11 last May after reporting it suffered a $10 million loss from just 52 of its 151 units. The 52 stores, which were scattered across 10 of its 12-state trading area, were closed at the time of the filing. Competition

(Continued on page 18)

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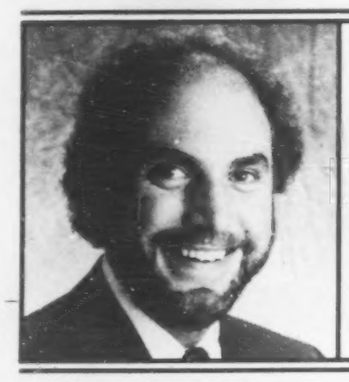
Picture This . . . Retailer of the Century



TONY LISANTI
Editor

And there I was walking down the main aisle of a Wal-Mart store when all of a sudden a strange feeling came over me. I rubbed my eyes and there was David Glass eating a bag of popcorn examining one of Wal-Mart's newest computerized merchandising displays. Everything in this store was different. I wondered, "What store was I in?"

"Well, hello, Tony," Glass said. "Welcome to the grand opening of Wal-Mart's 2,500th store and first location in midtown Manhattan. What do you think of our new high-tech 'customer' store?"

I looked around in awe. Video kiosks were everywhere. Digital electronic signs showed images of poinsettas and flashed a message that said, "Have a Merry Wal-Mart Christmas, 1995!" An alternate message proclaimed the "Lowest Prices in the U.S.A. Guaranteed!"

I heard one vendor say that "this was the first discount store to open in New York City since E.J. Korvettes. And isn't it ironic that Wal-Mart has opened in the same building."

"This store was designed exclusively by a select group of long-time Wal-Mart customers," Glass said. "It's a combination of everything they said would make shopping easier."

The greeter was still there, but this person was now called a "personal sales consultant." The PSC not only greeted customers as they entered the store, but upon request would accompany shoppers through the store previewing new products, subtotaling purchases and sending them to the pre-checkout area. The PSC also carried a hand-held computer with a display terminal and scanner that offered instant price checks and showed product demos and ads. Customers used self-service checkout scanners whil Wal-Mart exiters bagged and arranged for 30-minute home delivery.

The vendor store concept had apparently been expanded as the store was highly segmented and focused with video kiosks giving customers access to a broader lines of merchandise with same-day delivery.

"Thanks for coming," said Glass. "I'll see you Saturday morning in Bentonille for *DSN's* presentation of 'Retailer of the Century.' But you know, Tony, while we're flattered with the honor, we're really not as good as everyone says we are."

What happened to me? That was a strange dream. Imagine Wal-Mart in New York City! Imagine "Retailer of the Century!" Imagine another trip to Bentonville!

PUBLISHER'S VIEW

Prepare for the Future With 'People Programs'

JOHN FAILLA
Publisher

Are you preparing for the year 2000?

While it sounds a long way off, consider for a moment that the next millennium is closer than events that seemed to have taken place "just yesterday" in 1978.

Given the current rate of change in retailing, and in the world in general, it's almost impossible to predict what type of retail format or what kinds of products will be most successful in the year 2000.

There is, however, one thing that you can bank on—your people will make the difference in the next century as they do today.

After returning from Bentonville, Ark., to present Wal-Mart with the "Retailer of the Decade" Award, I was convinced that whatever changes hit the retail scene, Wal-Mart will find a way to win.

Why? What is it that makes this company, which sells the same merchandise as hundreds of other retailers, stand out from the pack?

The answer is simple—developing people and recognizing the ach vement of associates. This is as important a priority at Wal-Mart as anything else. This unusual commitment to people by management has resulted in 250,000 employees genuinely trying to do their best and all working in the same direction. From headquarters to the back room, every Wal-Mart associate possesses an obsessive desire to succeed.

When this type of energy and drive is forged with the belief that every day they must try to do their job just a little bit better and their ultimate responsibility is to take care of the customer, the results speak for themselves.

If your company isn't involved with "people programs" today that encourage their development as individuals and recognize their achievements, then you really aren't preparing for the future.

Success in any year is entirely dependent on your people.

IMRA PRESIDENT'S CORNER

IMRA Salutes Wal-Mart's Spirit of Teamwork

RICHARD HERSH

With this issue of *Discount Store News*, Wal-Mart stores is being named "Retailer of the Decade" and it certainly is an honor well deserved. Undoubtedly when one talks about retailing in the '80s, it is difficult, if not impossible, to address the issue without discussing the phenomenon of Wal-Mart.

While he would be the first to tell you that Wal-Mart's success is attributable to the "associates" of the company, there was once only one "associate" and that was Sam Walton himself, and he established the model for all future associates. Today, after all of the years of achievement and growth, Sam Walton still considers himself to be one of the associates of his company.

If ever there was a retailing example of the old axiom that a chain is only as strong as its weakest link, Wal-Mart would be the perfect example because there is indeed a different attitude among the executives of Wal-Mart than perhaps any other major corporation in the United States.

You notice it when you sit with a group of Wal-Mart executives and try to get them to talk about themselves. Rather than taking any personal credit, they are always referring to some else at the table for "his" or "her" fine work. They deflect any accomplishments that they might have achieved to someone else. What is perhaps even more astonishing about this interaction is that it is not just lip service, they really believe it.

When I was first hired to run the association, I was told that I had to go see Sam Walton in Bentonville as soon as possible. When I called Sam he told me that there was not any real reason for me to come down, but if I were "in the neighborhood" he would be delighted to see me at any time. I spent two days in Bentonville, and Sam and his associates talked about how much they could attribute their success to the association and the relationships which they had built up with other members of the organization.

Wal-Mart has always been one of the strongest supporters of the International Mass Retail Association through its participation at conferences, participation on the board, active involvement in government relations and support of the industry. Wal-Mart executives have always been at the forefront of any programs that they have been asked to speak at, and they have always willingly offered their associates' time and efforts in putting together many of the programs which IMRA has held over the years.

When I have had the opportunity to host retailers from other countries, one of the first questions asked is, "What is the secret of Wal-Mart's continuing success?" I always refer to the story illustrated earlier in this column about the teamwork which makes Wal-Mart work.

While it is unusual for me to use this industry column to speak only about one of our fine members, the occasion of Wal-Mart being named "Retailer of the Decade" simply could not go by without my offering the congratulations of the association to Sam Walton and to all of his associates.

It has been an honor to represent you and assist you in some small way.

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We welcome our readers' views, whether pro or con. Letters to the editor should be addressed to: Editor, *Discount Store News*, 425 Park Ave., New York, NY 10022.

Selling Machines Are Familiar Sight at Airports

(Continued from page 24)

er-Price, Sony, Seiko, Waterford, Godiva Chocolates, Sophisticated Intimates and Baileys Banks & Biddles.

Host Gift USA is a true retailing venture, with Amtech's buying staff selecting merchandise in six categories: gifts for kids, male recipients, female recipients, executives, recreational use and for the home. The goods, which the company owns, are stocked and shipped from a Chattanooga, Tenn., warehouse. Host International handles the real estate end, obtaining the airport sites and future locations in hotels, the venture's next targeted market.

The kiosks reportedly sell one to 14 items daily; the average sale is about $50. Gift items are popular. Shoppers insert a credit card to pay for merchandise and use a built-in telephone to give delivery instructions.

When Host Gift USA was introduced 14 months ago at a press conference, Greenberg estimated that 40,000 people a day would pass a kiosk, which would sell 10 items per day, average $60 per transaction, and generate $15,000 to $20,000 in monthly gross sales.

These projections, he explained, were based on Amtech's previous selling machine experience with Express Shop USA kiosks. These first generation units were tested in 1984 in over a dozen airport terminals.

Host Gift USA uses off-the-shelf hardware, with Amtech writing the software and producing the videos showing the goods and services. "We are creating a new merchandising and marketing environment with these kiosks," Greenberg said at the press conference. "While we want to sell kiosks, we are basically merchandisers using a new technology."

Amtech's effort to position second generation Host Gift USA as the ubiquitous selling machine includes promoting QTV, which stands for Quick Touch Video, as the nomenclature for its interactive technology and how people use its system to obtain merchandise.

The kiosks employ laser videodiscs to store and present still full-color photos of the merchandise and scenes of the hotels and restaurants on touch-screen monitors, eschewing the use of keypads.

Minicomputers in the terminals drive the system, calling up the graphic information like the price and order number of the merchandise, hotel rates and the restaurants' menus and processing orders. Audio and visual prompts guide shoppers.

Shoppers insert a credit card to pay for merchandise and use a built-in telephone to give delivery instructions.

The videodiscs are replaced monthly so they can show new items and services, while the computers can be updated daily, Greenberg said.

The kiosk setup includes a bank of three 20-inch television monitors above the interaction terminals. The videos on the 60-minute loop show promos for the merchandise available through the kiosks, along with ads for goods that manufacturers want to just expose to airport patrons.

Host Gift USA's new locations are in airports in Los Angeles; San Francisco; Anchorage, Alaska; Tampa, Fla.; and Washington, D.C. (National and Dulles). A total of 63 kiosks are already in Atlanta; Baltimore; Boston; Buffalo, N.Y.; Charlotte, N.C.; Cincinnati; Dallas; Greensboro, N.C.; Las Vegas, Nev.; Minneapolis; New York (JFK); and San Diego.

The 15 Concierges are in Atlanta; Boston; Chicago (O'Hare); Detroit; Ft. Lauderdale, Fla.; Houston; Los Angeles; Miami; New York (JFK, La Guardia and Newark); Philadelphia; San Francisco; and West Palm Beach, Fla.

FOR THE RECORD

Cosmetics: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1989	1988	1989	1988	1989	1988
Maybelline	74%	70%	76%	75%	61%	57%
Cover Girl	51	44	54	44	36	46
Revlon	35	31	28	22	70	76
Max Factor	11	12	10	9	18	23
L'Oreal	7	7	7	10	6	14
Noxell	4	9	4	10	—	2
Clarion	3	—	3	—	1	—
Clairol	2	4	2	4	2	4
Coty	1	—	2	—	—	—
Sally Hansen	1	3	1	3	1	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

Noxell, which manufactures Cover Girl and Clarion cosmetics, ranked sixth on the Top Brands list identified by store managers as top performers in cosmetics. Sally Hansen-brand cosmetics came in 10th. Due to compilation errors by DSN's pollster, the Oct. 16, 1989 issue reported a lower ranking for Noxell, and Sally Hansen was dropped from the list. In addition, the Oct. 16 issue misidentified Max Factor's parent company. Revlon is the parent company of Max Factor.

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The 'Little Things' Add Up to Trust

By Tony Lisanti

"If I were going to tell our people five ways to be successful," said David Glass, "they would be:
1. Think like a customer.
2. Sell the customer what they want to buy.
3. Provide a genuine value to the customer.
4. Make sure the customer has a good time.
5. Exceed the customer's expectations."

It's no accident that every point Glass makes has to do with the customer.

Customer. C-U-S-T-O-M-E-R. That's a big and important word for any retailer. But for Wal-Mart it's the gospel according to founder and chairman Sam Walton.

"I always had confidence that as long we did our work well and were good to our customers, there would be no limit to us," said Walton.

Customer service is not lip service for the "Retailer of the Decade."

And apparently today's more demanding and more fickle consumer has responded.

Strengthening Over Time

The American consumer's love affair with Wal-Mart is not a fling of sorts that will abruptly end, but it is a relationship built on commitment and trust that seems to get stronger and stronger over time.

In order to better understand the customer franchise that Wal-Mart has nurtured through the 1980s as it grew by about 1,000 stores and dozens of new markets, *DSN* commissioned an exclusive research study from Leo J. Shapiro & Associates, a Chicago-based research firm. The results of the study are based on interviews with 902 households conducted during August and September.

To understand the Wal-Mart customer, you must understand almost every other facet of the retailer's business. The fact is that everything Wal-Mart does from store design to bar coding to lighting to greeters—regardless of how simple or complex—is implemented only after carefully considering the impact on the customer. Virtually nothing is done without the guarantee that it benefits the customer in some way.

Furthermore, the relationship with the customer evolves from the retailer's own corporate culture. The whole idea of an associate being involved in the decision-making process, sharing the good news and the bad news, and being positively reinforced for their ideas and performance, has created a tremendous company spirit and pride of workmanship on every level of management from the headquarters office to the stock room.

"Day in and day out," said Glass, "it's the little things that you do."

And inevitably all those "little things" that Wal-Mart does for its associates, its associates do for the customer.

As a result, Wal-Mart has been able to build loyalty and trust among its customers that is unparalleled among other retail giants.

Currently, according to the *DSN*/Leo J. Shapiro study, Wal-Mart stores are within reach of 37 percent of U.S. households, and remarkably, 34 percent of the households report having shopped at Wal-Mart within the past year. In 1987, Wal-Mart stores were within reach of 28 percent of U.S. households and 22 percent reported that they had shopped Wal-Mart within the past year. In two years, Wal-Mart has increased its customer base by more than 50 percent, with an increase of only about one-third in store coverage.

Within a two-year span from 1987 to 1989, Wal-Mart has expanded its customer base by 50 percent. (DSN photo)

By contrast, during the same two year period, K mart's coverage and customer base held steady. Currently, K mart stores are within reach of 85 percent of U.S. households and 72 percent report having shopped at K mart within the past year compared with 84 percent and 69 percent, respectively, in 1987.

Target stores are within reach of 40 percent of U.S. households while 32 percent report having shopped Target during the past year.

Another interesting fact revealed in the *DSN*/Shapiro study is that not only do customers spend more time getting to Wal-Mart then they do getting to K mart and Target, but they also spend more time shopping the store.

For example, survey respondents reported that it took them an average of 20.2 minutes to get from home to a Wal-Mart store and they spent an average of 41.1 minutes shopping the last time they visited a Wal-Mart store. By contrast, K mart was closest to home with an average of 15.9 minutes, but customers spent the least time shopping, reporting an average of 35.6 minutes. Respondents said that it took them 18.2 minutes to get to a Target store, and they spent an average of 39.5 minutes in the store.

It could be argued that with Wal-Mart's rural strategy and K mart's more urban presence that people would generally have to travel longer to get to a Wal-Mart store. However, Wal-Mart draws from a greater distance as well.

"We have an unbelievable number of people that travel from the major metro areas to the small communities to shop our stores there which is the exact opposite of what is historically taking place in the industry," said Don Soderquist, vice chairman of Wal-Mart.

(Continued on page 162)

Store Proximity And Usage

Store	% With Store In Area	% Who Shopped In Past Year	Distance of Customer To Store (Mean Min.)	Avg. Time Spent On Last Visit
Wal-Mart	37%	34%	20.2 min.	41.1 min.
K mart	85	72	15.9	35.6
Target	40	32	18.2	39.5

Source: Leo J. Shapiro & Assoc/DSN

Store Location By Metro Area

	Store In Area		
	Wal-Mart	K mart	Target
One Million or More Metro Area	23%	38%	54%
Under One Million Metro Area	36	38	33
Non-Metro Area	40	24	13

Based on: "Is There a . . . Store in Your Area?"

Source: Leo J. Shapiro & Assoc/DSN

Shopper Characteristics

Respondents who shopped at one of the stores in the past year

Characteristic	Store In Area		
	Wal-Mart	K mart	Target
% Black	5%	6%	7%
% Hispanic	4	5	3
Mean Age	43.0	42.0	43.8
Mean Household Size	2.93	3.06	2.97
% With Children	44	46	43
% Professional/Managerial Chief Breadwinner	31	35	31
% Blue Collar Chief Breadwinner	28	26	30
Mean Income (In Thousands)	$30.5	$31.8	$29.9
% Attended College	44	46	46
% Who Own Their Own Home	74	67	70

Source: Leo J. Shapiro & Assoc/DSN

WAL-MART

Chapter 4: An American Love Affair

The 'Little Things' Add Up to Trust

(Continued from page 161)

"Our strategy is to go into smaller markets first before we hit major metro areas because you've got a smaller population base to convince over. So you begin to get the acceptance in smaller markets and the word begins to travel around and people begin to travel further and further to get to your stores."

Overall, the above numbers reflect the tremendous penetration and powerful position of Wal-Mart in the retailing industry. With less than half of the store coverage, Wal-Mart is approaching K mart in sales volume. The potential for continued growth and expansion is mind-boggling.

There's no doubt that Wal-Mart's performance is based on its competitive appeal. When asked to compare Wal-Mart with K mart and Target, the consensus of households is that Wal-Mart is as good or better. For example, of the households with a Wal-Mart in the area, 59 percent said that Wal-Mart is better than K mart and Target; 33 percent said it was the same. Only 4 percent rated Wal-Mart worse than K mart and Target.

Furthermore, Wal-Mart has garnered a favorable reputation even in areas that do not yet have a store in operation. Over one-third of the households surveyed felt that they had enough of a familiarity with Wal-Mart to compare it with K mart. Ten percent of the consumers surveyed said Wal-Mart is better; 22 percent said it is the same; and only 3 percent said it is worse than K mart.

"The acceptance we have out in the market is unbelievable," said Glass. "It's just not that big a problem to push the perimeters out."

"The acceptance is incredible," echoed Soderquist. "In Arizona, there's a lot of retired people who shop Wal-Mart. In Florida, we are known by a lot of people. People who travel to Arizona or Florida for vacation or part of the winter go back to Pennsylvania, New York, Michigan, Ohio and say, 'When are we going to get a Wal-Mart up here?' They've already been preconditioned a bit."

At present, 90 percent of U.S. households that have a Wal-Mart store in their area also report they have a K mart. However, only 39 percent of K mart stores face competition from Wal-Mart.

"Clearly, Wal-Mart faces no barrier in confronting the many K mart stores with which it does not yet compete as it enters nearly two-thirds of the United States it does not yet serve," noted George Rosenbaum, president of Leo J. Shapiro & Associates.

Another key component of America's love affair with Wal-Mart is price. When asked why Wal-Mart is better, 55 percent of the respondents with a Wal-Mart in their area said lower/better prices. A further evidence of the phenomenon of Wal-Mart and its strong reputation is that 33 percent of households not in an area with a Wal-Mart store cited lower prices as a reason why the discounter is better.

Variety/selection and good quality were the other top reasons cited by consumers when asked why Wal-Mart is better. Thirty percent said variety; 18 percent said good quality.

"This confidence about purchases from Wal-Mart is underpinned by a 'user-friendly' store environment," explained Rosenbaum. "Shoppers feel that Wal-Mart is easy to shop—well-organized and also friendly."

Glass explained that when Wal-Mart goes into the major metro areas many observers believe that the "friendly, old folksy attitude" is not going to mean as much as it does in the small towns. "To the contrary," Glass emphasized, "it means more. People want to be treated nice everywhere. They like a warm smile in most places."

Wal-Mart's continuous growth as a general merchant, at a time when such retailers have declined, is exemplified in the fact that its customers have steadily increased the amount of money they spend in the store. The retailer has been able to satisfy the general merchandise needs of consumers.

"Wal-Mart is benefiting from the departure of traditional general merchandisers and has effectively moved into the vacuum to perform this role," observed Rosenbaum. "Its growth as a general merchandiser in the final decade of this century will be comparable to and likely exceed the growth of Sears as a general merchandiser during the postwar decades."

Among consumers who have shopped at Wal-Mart for two years or less, just 30 percent report that they are spending more that $300 per year. This rises steadily and nearly doubles among customers who have shopped Wal-Mart for eight years or more. The mean expenditures for Wal-Mart shoppers of less than two years is $262; for shoppers of three to seven years, $403; and for shoppers of eight years or more, $667.

One of the most revealing results of the survey is that when Wal-Mart shoppers are asked what they would miss most if Wal-Mart were to close down, nearly 25 percent were unable to mention any significant consequence. Most shoppers mentioned low prices and convenience/close to home as the two aspects they would miss most if Wal-Mart closed.

"This response indicates that adjustment to doing without Wal-Mart would be rather painless for many customers," explained Rosenbaum. "Wal-Mart is perceived as wonderful, but also as dispensable."

What merchandise would Wal-Mart shoppers miss most? Housewares, clothing, automotives and health and beauty aids were cited most frequently.

Almost every respondent has a store in mind that they would substitute for Wal-Mart and, most often, it was another discount store. For example, 38 percent of the Wal-Mart shoppers said they would go to K mart, and 19 percent said they would go to Target. Only a small percentage of shoppers said they would substitute a specialty store such as a drug store or variety store.

"In the 1990s, Wal-Mart will be approaching a period where the combination of its dominance and age may create a situation not unlike that faced by Sears in the last decade," said Rosenbaum. "While there is no evidence that Wal-Mart customers will cause history to repeat itself, the fact that consumers feel they can readily do without Wal-Mart is a warning that past performance offers little protection against the consequences of misreading and failing to respond to the market."

Wal-Mart Compared To Stores Like K mart And Target

	Wal-Mart Store In Area	Wal-Mart Store Not In Area
Better	59%	10%
Worse	4	3
Same	33	22
Don't Know	3	11
Never Heard of Wal-Mart	—	54

Source: Leo J. Shapiro & Assoc/DSN

Why Is Wal-Mart Better?

	Wal-Mart Store In Area	Wal-Mart Store Not In Area
Lower/Better Prices	55%	33%
More Variety/Selection	30	20
Good Quality	18	3
Friendly Employees/Better Help	8	2
American-Made Items	7	6
Fast Checkout	4	5
Better Than Other Store	6	—
Automotives Department	4	5
Organized/Clean	6	8
Better Displays	3	3
Good Return Policy	4	—
Other	12	13

Source: Leo J. Shapiro & Assoc/DSN

Wal-Mart: The Best Merchant Anywhere

How would you rate the founder of Wal-Mart as a merchant that really understands your needs, rated on a nine-point scale, here '9' means the best merchant anywhere down to '1' meaning a merchant that's not so good?

	Wal-Mart Shoppers
Best Merchant Anywhere (9)	35.0%
8	31.0
7	14.0
6	8.0
5 or Less	12.0
Mean Rating	7.8

Source: Leo J. Shapiro & Assoc/DSN

What Merchandise Would You Miss Most?

	Wal-Mart Shoppers
Housewares	16%
Clothing	15
Automotives	14
Health and Beauty Aids	13
Children's Department	11
Sporting Goods	8
Pharmacy	7
Arts and Crafts	6
Lawn and Garden	4
Hardware	4
Sewing/Fabric	4
Electronics	1
Other	20
None	14

Source: Leo J. Shapiro & Assoc/DSN

Even though consumers consider WAL-MART the "best merchant anywhere" -- most would shop at another discount store if WAL-MART left.

If Wal-Mart Left Your Area, Where Would You Go Instead?

	Wal-Mart Shoppers
K mart	38%
Target	19
Another Wal-Mart	4
Zayre	1
Sears	1
Other Discount Store	9
Department Store	3
Variety Store	2
Drug Store	2
Auto Store	1
Other	5
Don't Know	15

Source: Leo J. Shapiro & Assoc/DSN

For Reprints of This Special Wal-Mart issue, See Our Order Form Located on Page 79.

DCs Form Groundwork for Growth

(Continued from page 199)

del Jr. and John E. Heinbockel in a recent report.

The Searcy DC is within 300 miles of each of the current and planned Hypermart USAs and Wal-Mart SuperCenters, each of which devote as much as half of store space to food/grocery items.

Kritiansen at Dean Witter Reynolds concurred. "I'm sure they'll go into food distribution. They teamed up with Cullum to learn about the food business and then bought them out. The next logical step is to go forward with this."

This summer Wal-Mart purchased from Cullum the food distributor's 50 percent interest in the Hypermart USA joint ventures in Garland and Arlington, Texas.

Wal-Mart's own grocery merchandisers are now responsible for a growing supermarket business that includes the two Texas hypermarkets, the Hypermart USA in Topeka, Kan., and three Wal-Mart SuperCenters. By 1991 the chain is expected to add at least one more hypermarket and three more SuperCenters.

The Next Step

Similarly, Daniel Barry, analyst at Kidder Peabody, noted that " they are already buying food. There's no doubt that they will soon want to do that themselves as they move forward with SuperCenters."

On that matter, all Glass would say is that the central distribution of food "would appear to be a logical step. But I don't want to appear presumptuous. We're still learning. We're not better than everybody else as far as experience is concerned."

Several retail analysts agree that despite its expertise in managing a far-flung general merchandise distribution network, Wal-Mart is not yet sufficiently prepared to similarly master the intricacies of wide-scale food distribution.

Dan Wewer, a securities analyst at Atlanta-based Robinson Humphrey, said he does not believe the company is ripe yet for food distribution.

Not Quite Ready

"They don't have the management capability yet to run a food DC. They need to develop ranks of management. . . I think they will need to bring in new management. I would guess they are making a lot of calls to major food stores looking among management for someone to guide their food business," he said.

Lyle Carr, manager of general merchandise systems at Rapistan, said the current DC network could theoretically be used for food.

"From an equipment standpoint, a food distribution system is almost identical to one that handles general merchandise. The primary difference in grocery is that the food people usually palletize at shipping prior to truck loading, while general merchandise is loose stacked in the truck," Lyle explained.

While Wal-Mart has been able to stave off any unionization—and accompanying wage demands—among its associates to date, there is some question as to whether this can continue as it enters the highly unionized grocery arena, Wewer added.

While highly unlikely given Wal-Mart's corporate culture, unionization could force store level and distribution center wages higher, and ultimately weaken the bottom line.

A logical expansion of Wal-Mart's central warehousing network would be a move into food distribution. (DSN photo)

Distribution Center Snapshot

Facility Size	14 to 28 acres under one roof
Sku's Handled	9,000 to 11,000
Number of Employees	500 to 1,000 plus
Number of Pick Modules	14 (10 are 3 levels high; 4 are floor level)
Amount of Conveyor	9 miles to 11 miles

Source: DSN research

Low Distribution Costs Buttress Chain's Profits

Distribution of goods—and its link to inventory turns and keeping in stock—is quickly earning the spotlight as one of the biggest reasons behind the profitability of Wal-Mart.

Unlike its rivals, Wal-Mart spends just 1.7 percent of its cost of sales on distribution, said a Wal-Mart source. Based on interviews with about a dozen retail analysts, this figure is dramatically less than that of K mart, Sears and most other retailers.

Taking into consideration the fact that most other retailers measure distribution as compared to total sales (instead of cost of sales like Wal-Mart), the Bentonville, Ark.-based retailer is still easily the victor in the battle of cost control.

K mart spends about 3.5 percent of total sales on distribution. Sears, which has the added expense of catalog sales distribution—spends 5 percent. Northeast office supply club Staples—which has one DC in operation—was said to spend about 3.5 percent of its sales to run the single facility.

What does this mean in dollars? First, assume a 25 percent gross markup on Wal-Mart's cost of goods sold (as suggested by one Wal-Mart distribution expert).

Then assume that the dollars spent or saved on distribution impacts the bottom line dollar for dollar. If Wal-Mart had the same distribution costs as K mart, $460 million would drop off Wal-Mart's bottom line for 1988. The annual report would list operating profits of about $840 million instead of $1.3 billion.

If Wal-Mart really let distribution costs get out of control and saw them reach Sears' 5 percent level, Wal-Mart's profits last year would have plummeted to $531 million, as costs soared to $769 million.

Wal-Mart's chief executive officer David Glass acknowledged the company's distribution system as a primary factor setting the chain apart from the pack of other retailers.

"Our distribution facilities are one of the keys to our success. . . if we do anything better than other folks, that's it," he told *Fortune* magazine.

"Wal-Mart has made distribution logistics the competitive advantage," said Marge Meek, consultant with Boston-based Coopers Lyband. "Distribution has been key in keeping total operating costs as much as 2 percent below everyone else in discounting."

Besides cost containment, the other key bottom line benefit of Wal-Mart's efficient distribution system is its ability to keep stores stocked. The company rarely loses sales due to out-of-stocks.

Even when the chain is first entering a market, front-loading the region with a new DC has meant customers rarely experience an out-of-stock situation, even with new stores.

Wal-Mart typically opens a new territory by first opening a few stores and servicing them from a current DC. It then opens a new regional DC that supports further growth in the new markets.

Wal-Mart's Amazing Distribution Cost Advantage

Chain	1988 Sales (in millions)	Distribution Cost (in millions)	Cost of Dist. As % of Sales
Wal-Mart	$20,649	$ 263*	1.3%
K mart	27,301	956	3.5
Sears	50,251	2,513	5.0

*Calculated after subtracting 25 percent mark-up from total sales to achieve cost of sales.

Source: DSN research, company reports

For example, next year Wal-Mart will open its most western DC, in Loveland, Colo., to supply it initial stores in California. Since each DC can serve about 150 Wal-Marts, the Loveland facility provides a base for the addition of new stores in current states with Wal-Mart stores—like Colorado, Arizona and New Mexico—further growth in California, and opens new markets in Utah, Nevada, Wyoming, Idaho, and Montana.

Dan Wewer, retail analyst with Atlanta-based Robinson Humphrey, credits Wal-Mart with creating a smooth transition period as a DC goes into operation.

"The chain has the ability to open a new DC with virtually no interruption in business. Look at Dollar General, look at Brendles catalog showroom several years ago, and you'll see interruption."He added Wal-Mart "has the cookie cutter down pat; they can open a new DC as easily as a new store."

Frequent—usually daily—deliveries to stores allow Wal-Mart to react more swiftly than competitors to sudden inventory demands, further solidifying its in-stock position.

Daniel Barry at Kidder Peabody estimated that compared to Wal-Mart's daily delivery regimen, "K mart is closer to once every five days. Target moved up deliveries a lot in the past year. Some are daily, some are every two to three days. On average, Target delivers every three to four days."

Wal-Mart has other, more intangible advantages. One analyst claims that Wal-Mart delivery trucks often are not held to the same rules of the road as other truckers, enabling them to shave time—and costs—off the delivery of merchandise.

Wewer at Robinson Humphrey told *DSN* that he has been told by Wal-Mart DC employees that the chain's trucks are often waved through checkpoints when others are required by law to stop. "When the trucks cross state borders, a number of states don't make them pull over. Little things like that can add up," he said.

WAL-MART

Chapter 10: Generosity on a Budget

A Grass-Roots Approach to Charity

One day last year, 15 associates of the Anadarko, Okla., Wal-Mart brought their electric skillets from home and spent four hours after work whipping up a batch of 300 apple, cherry and pineapple "fried pies."

The next day they sold the pies to Wal-Mart customers for $1 apiece in a fund-raiser to benefit the Anadarko Chamber of Commerce's Grant-A-Wish program for children facing terminal illnesses. The Wal-Mart Foundation, the charitable arm of the company, matched the money that the store associates raised through customer generosity.

By Richard C. Halverson

Nothing serves better than fried pies to illustrate the grass-roots approach that Wal-Mart takes to corporate philanthropy. With typical Wal-Mart efficiency, that approach generates enormous amounts of community goodwill, customer loyalty and favorable publicity with outlays from corporate profits that are relatively modest, compared to those of other major retailers.

Wal-Mart's approach has built a towering reputation among its customers for corporate largesse. However, it's a reputation that fails to carry over into professional philanthropic circles, in part because Wal-Mart maintains a low profile.

Its foundation declines to issue an annual report detailing outlays. Wal-Mart would not disclose to the press the amount it gave to charities in 1988 and has yet to file its report on last year's contributions with the IRS.

Moreover, Wal-Mart ranks last among major discounters in terms of the percentage of pretax earnings it donates to charity, the standard benchmark for corporate generosity. By that measure, in 1987, the latest year for which the Wal-Mart Foundation figures are available, arch-rival K mart gave 3.6 times as much.

With 1987 assets of $6 million, the Wal-Mart Foundation ranks nowhere near the top 100 corporate foundations. But in charitable circles where it counts—in the hundreds of towns where it operates stores—Wal-Mart stands tall as king of the hill.

Dan Harness, mayor of Harrison, Ark., said Wal-Mart fund-raisers to support community organizations "make shoppers more loyal to Wal-Mart. My wife enjoys shopping there because of what they do. It's amazing the interest they take. They get involved in all areas, especially the schools."

Wal-Mart store associates in Harrison raised "several thousands" to help pay for a boy's kidney transplant by selling chances on "beef-on-the-hoof," Harness said. After the steer was butchered, each of two winners got a side of beef.

To help purchase a new fire department rescue truck, the Harrison store donated merchandise to be raffled off. Then the Wal-Mart Foundation donated money, Harness said. In another merchandise donation, the Harrison Wal-Mart gave door prizes for a school benefit supper.

"The policy is to be a good corporate citizen, and boy, they certainly have done that," Harness exclaimed.

"They bent over backward and have done whatever they were asked to do."

Three principles guide Wal-Mart's philanthropic program:

- Involve its employees and customers in in-store fund-raising campaigns;
- Leverage contributions by matching monies employees raise through such in-store drives;
- Focus contributions on programs that most directly touch the lives of its customers.

Those contributions include a college scholarship worth $1,000 over two years that each store manager grants every year to a high school senior living in the store trading area. In a brief summary of corporate giving in its 1989 annual report, Wal-Mart said the foundation spent $1.2 million in 1988 on such scholarships.

A new program started in 1988 is to support the Children's Miracle Network, a telethon held each June to raise money for children's hospitals.

In 1988, Wal-Mart associates raised $1.5 million from customers with various in-store promotions, and the foundation added $1 million, a Network spokesman said. In 1989, the total rose to $3 million, half from associates' in-store fund-raisers and half from the foundation, the spokesman said.

Wal-Mart matches the amount that store associates raise from customers in in-store campaigns for community organizations and local United Way chapters, up to $2,000 per organization and $2,000 per United Way chapter.

As another example of the mileage Wal-Mart gains from its giving, the chain reaped national publicity for having donated $1 million worth of goods to the relief of victims of Hurricane Hugo in the Carolinas. What the news accounts failed to say was that the $1 million worth of goods was a joint effort with Wal-Mart's vendors. Nonetheless, Wal-Mart got all the national credit because it shipped the goods in Wal-Mart trucks. It refused even to name the vendors for *DSN*, much less disclose what portion of the $1 million they donated.

In 1987, the latest year for which figures are available, the Wal-Mart Foundation gave $4.3 million, as reported to the IRS on its 990-PF (Return on Private Foundation) report. That's equal to 0.41 percent of Wal-Mart's pretax earnings of $1.07 billion.

In comparison, K mart contributed $17.4 million in 1987, or 1.49 percent of its pretax earnings of $1.17 billion. The average that year for 228 corporations was 1.05 percent, The Conference Board concluded from its 1989 survey of corporate giving.

In addition, in 1987 Wal-Mart associates raised an estimated $1.8 million through in-store fund-raisers such as car washes, rummage sales, fried pie and bake sales, raffles of merchandise—either donated by Wal-Mart vendors or stores or purchased by employees—and cash solicitations from customers. That brought the total to approximately $6.1 million between the foundation and individual stores.

The 1987 Wal-Mart Foundation giving represented a doubling in percentage terms from 1986, when the foundation gave $1.7 million in grants, or 0.2 percent of Wal-Mart's pretax earnings of $846 million.

The Wal-Mart Foundation got an extension for filing its 1988 990-PF report to the IRS, due April 15, 1989, a spokeswoman said. Wal-Mart refuses to discuss its charitable program, so the exact amount store associates raised in-store is unavailable.

Giving Fits Culture

Associate involvement in fund raising fits squarely into the Wal-Mart corporate culture.

"This company is unique because it requires involvement," vice chairman and chief operating officer Don Soderquist said in an exclusive interview with *DSN*. "There's a pressure to get involved."

Foundation grants and associate fund-raising present only part of the Wal-Mart philanthropic picture. In addition, the private giving of Sam Walton through two active family foundations, the Sam M. and Helen R. Walton Foundation and the Walton Foundation, often buttresses the philosophical goals of the Wal-Mart Foundation.

Walton's private and Wal-Mart corporate giving, for instance, both emphasize education and support for the American free enterprise system.

In at least one year in the '80s, Walton Enterprises, which oversees Walton's personal business holdings, including nine banks and an interest in a 22-store Food for Less supermarket chain, gave $1.8 million to the Wal-Mart Foundation. In comparison, Wal-Mart stores contributed $4 million to the foundation that same year, the foundation's 1986 990-PF shows.

As an example of the way private and corporate charity overlaps, Walton played tennis for the second year in a row in an annual tennis and golf fund-

(Continued on page 222)

TV star John Schneider (left) accepts a check on behalf of the 1989 Children's Miracle Network from Don Shinkle, Wal-Mart's corporate and public affairs director.

1981
Wal-Mart establishes Wal-Mart Foundation, gives $64,700.

1985
Annual giving total surpasses $1 million mark.

1987
Wal-Mart Foundation doubles contribution percentage to 0.41 percent of net earnings before taxes from 0.2 percent. Total giving for community scholarships exceeds $1 million as store count surges.

1988
Wal-Mart Foundation adopts new cause: children's hospitals, and raises $2.5 million, including $1 million from foundation coffers.

1989
Wal-Mart Foundation raises $3 million to benefit children's hospitals, half from foundation pockets.

Wal-Mart's philanthropic program is guided by three principles:

- **Involve employees and customers in in-store fund-raising campaigns;**
- **Leverage contributions by matching monies that employees raise through such in-store drives;**
- **Focus contributions on programs that most directly touch the lives of customers.**

Retailer Goal: Be Positive Impact on Community

(Continued from page 221)
raising tournament held this summer at a country club outside Bentonville, Ark. Wal-Mart, the Walton Foundation, and the Phillips Company, which operates the supermarket chain that Walton co-owns, co-sponsored the tournament, raising $430,000 for cancer research.

And Wal-Mart vendors contributed by playing at Wal-Mart's invitation. "When Wal-Mart asks you to jump, you only ask how high," said a spokesman for one of the participants.

As for the philosophy that governs Wal-Mart's corporate giving, various sources indicate its general outlines.

Sam's View of Giving

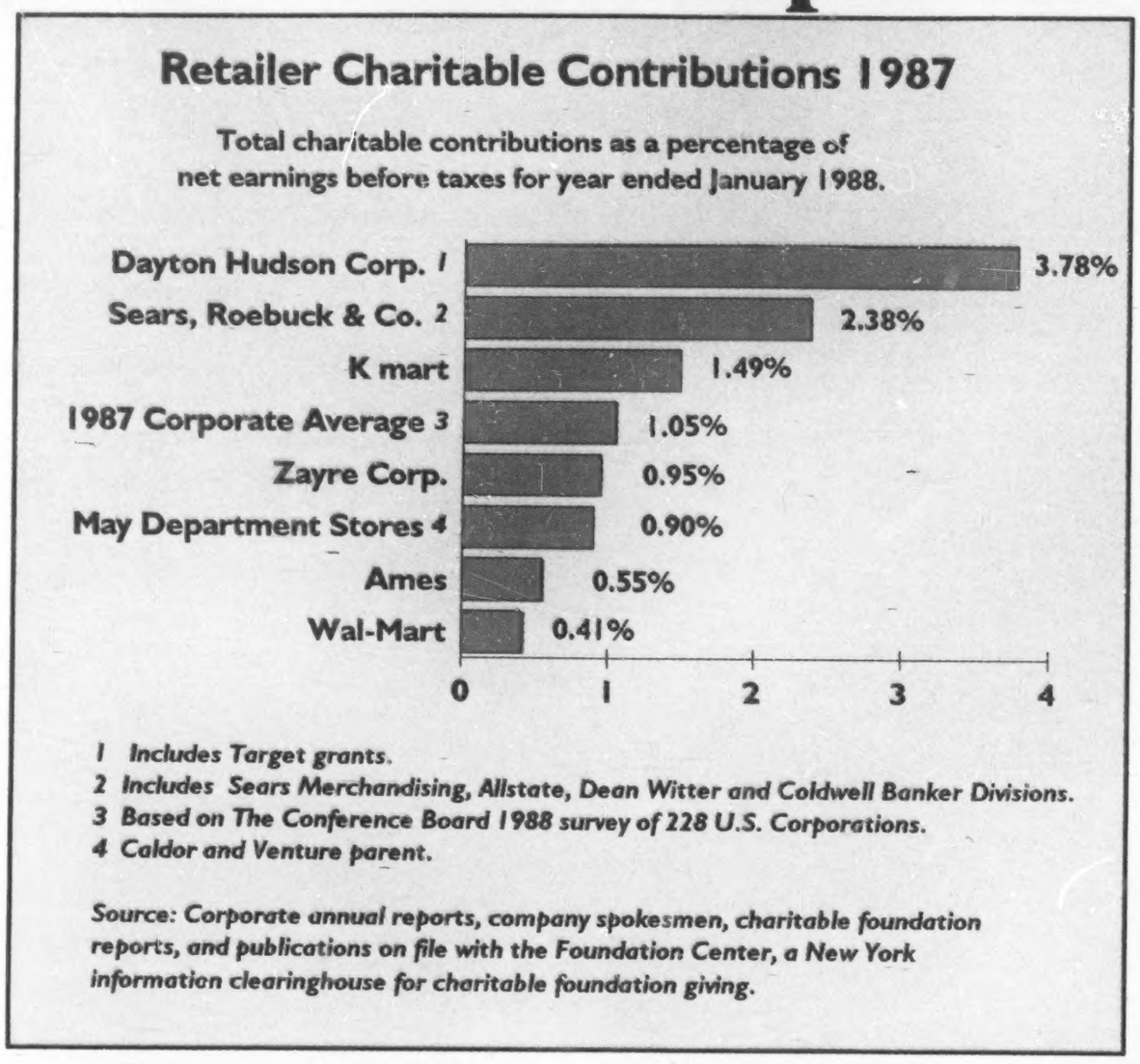
In an interview last year with *Stores*, the publication of the National Retail Merchants Association, Walton expressed his views on retailer philanthropy:

"One area I believe could be improved upon by retailers in general is that of being a good citizen within the community," Walton said. "We believe we have a responsibility to involve ourselves in civic organizations and fund-raising events to benefit the community, and we want to be as responsive to their needs as possible."

In a brochure for grant seekers, the Wal-Mart Foundation cites these objectives:

- "Give something of value back to the communities in which we operate stores;
- "To see that every effort is made to support local community programs through donations and fund-raising activities;
- "To make a statement to our customers that our desire is to improve the quality of life and to be a positive impact on the community."

Foundation grants cover six areas: The United Way, scholarships, economic development, Just Say 'No' (Nancy Reagan's anti-drug program), Children's Miracle Network, and community involvement.


Retailer Charitable Contributions 1987
Total charitable contributions as a percentage of net earnings before taxes for year ended January 1988.
Dayton Hudson Corp. 1
3.78%
Sears, Roebuck & Co. 2
2.38%
K mart
1.49%
1987 Corporate Average 3
1.05%
Zayre Corp.
0.95%
May Department Stores 4
0.90%
Ames
0.55%
Wal-Mart
0.41%
0
1
2
3
4
1 Includes Target grants.
2 Includes Sears Merchandising, Allstate, Dean Witter and Coldwell Banker Divisions.
3 Based on The Conference Board 1988 survey of 228 U.S. Corporations.
4 Caldor and Venture parent.
Source: Corporate annual reports, company spokesmen, charitable foundation reports, and publications on file with the Foundation Center, a New York information clearinghouse for charitable foundation giving.

In its 1989 report, Wal-Mart noted that United Way got a total of $4.1 million from associate contributions out of their pay, customer money raised through participation in in-store fund-raisers, and foundation donations. Of that, $1.56 million came from corporate coffers, Wal-Mart said in a release, while the balance came from an unspecified combination of money that associates donated from their pay and money they raised from Wal-Mart customers.

Besides the $1.2 million for scholarships and $2.5 million for The Children's Miracle Network, local community organizations also got a total of $2.5 million, the report said, without specifying how much came from corporate coffers.

The report also noted that two Wal-Mart stores and one Sam's Wholesale Club won the 1988 Helen Robson Walton Award for their fund raising.

The Wal-Mart in Anadarko, Okla., was one winner, and those fried pies helped carry the day, said office cashier Carbina Setters. She heads the employee committee that selects fund-raising projects.

Setters still chuckles about the night they cooked them in the employees' lounge. Because the wiring couldn't handle all those skillets, "we burnt out every fuse in the place," Setter said. "Bake sales are our specialty. We've got a bunch of good cooks down here."

All told, the Anadarko store raised $4,600 in 1988 for 11 community groups, she said. The Wal-Mart Foundation then matched that sum with $4,600 more, boosting the total to $9,200.

In another fund-raiser, a vendor donated two giant teddy bears to each Wal-Mart store, and Anadarko associates raffled off one at $1 a ticket, and gave the other to downtown merchants for their raffle.

Along with fried pies, the raffle raised a total of $918 for the Chamber of Commerce's Grant-A-Wish program. In addition, associates raised $1,000 for the Boy Scouts by buying a gas grill and raffling it for $1 a ticket, Setters said.

Associates also raised $202.02 for the Caddow Workshop for the handicapped by bringing in unneeded household goods and holding a rummage sale in front of the store.

Other Charities

Other organizations that associates raised money for last year were: Galilian Center for the handicapped, $505.39; Anadarko High School Band uniforms, $986.90; PTA, $107.91; Anadarko Youth Center, $150; Anadarko High School Ag Boosters of Future Farmers of America, $729; Caddow County 4-H, $597.57; new roof for Veterans of Foreign Wars Club, $50; and high school Spanish Club, $250.

To honor the Anadarko associates, Wal-Mart flew three employees to its annual management meeting in Little Rock, Ark., for the award presentation: Setters, cashier Beverly Hatfield, and store manager Selman Justen.

For 1989, Anadarko associates already have raised $6,000, which the foundation also matched, Setters said.

The 1989 total includes $2,000 that associates raised for a new town library by cooking more fried pies and putting a fishbowl in the store to solicit customer donations.

And associates raised $320.32 this year for the Children's Miracle Network by raffling a bicycle displayed in the store, she said.

Scholarships, Educational Programs Emphasized

Education is the "hot button" when it comes to philanthropy for Sam Walton and Wal-Mart.

A community scholarship program is a basic element of Wal-Mart Foundation giving. Each year each store handles a $1,000 college scholarship, payable over two years, for a high school senior living in its service area.

In addition, Wal-Mart operates three other scholarship programs: one for the offspring of full-time Wal-Mart associates; another for high school seniors who work part time for Wal-Mart, and the last for college students who work part time for Sam's Wholesale Clubs. The Wal-Mart Foundation coordinates all four scholarship programs.

The Walton Foundation, one of Walton's two active private charitable foundations, devotes a large proportion of its grants to $6,000 college scholarships, payable over four years, for about 100 offspring of Wal-Mart associates.

In addition to the community scholarships, the Wal-Mart Foundation also funds scholarships for high school seniors who work part time for Wal-Mart stores. Sam's pays for the scholarships for its part-time associates out of wholesale club division revenues.

Walton established still a third private foundation in 1987, the Walton Family Foundation. As of Jan. 31, 1989, the foundation still hadn't made any grants and its assets stood at just $1,390.

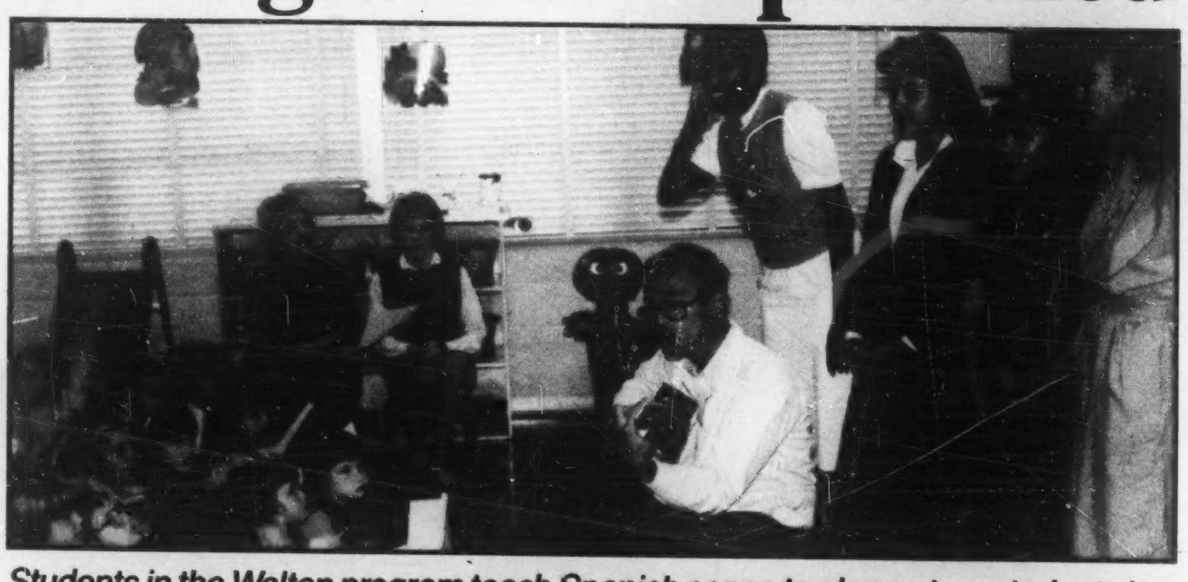
Walton probably established the foundation to accept upon his death the bulk of his estate to benefit education, speculated a scholarship official whose university benefits from Walton's generosity toward higher education.

In Delaware, the state certificate of incorporation for the Walton Family Foundation is couched in all-inclusive terms regarding its purpose: it will engage in any tax-exempt purposes in the religious, charitable, scientific, literary and educational fields.

Walton now personally funds a scholarship program for 180 students from seven Central American nations who are studying the American way of life at three Arkansas colleges. Estimated cost of each four-year scholarship is $9,000 per year.

The Walton Fine Arts Center at the University of the Ozarks and the Walton Lifetime Health Complex, a gym facility at John Brown University, testify to the generosity of Walton and his wife, Helen.

Still another sign of Walton's penchant for education is his support, both personal and corporate, for Students



Students in the Walton program teach Spanish songs to elementary students in a school in Searcy, Ark. Marlon Grande of El Salvador plays guitar. The women standing from left to right are: Virginia Vasquez of Panama, Martha Valle of Nicaragua, Ivette Rogers of Panama, and Vene Rodriguez of Panana.

In Free Enterprise, a program that recruits thousands of college students to teach elementary pupils and high school students about the American free enterprise system.

As if more proof of Walton's interest in education were needed, two years ago Walton and 18 other top Arkansas business executives founded the Arkansas Business Council. Its purpose is to improve education in the state. One of Walton's private foundations is contributing to the council's own foundation, which has granted $600,000 to improve technical education at two Arkansas colleges.

In a 1987 press conference held to announce the new venture, Walton said he and his fellow businessmen decided that aiding education was the best way they could help the state.

Walton expressed the council's goal: to develop "the best education system of any of the states in the Sunbelt.

"Someday we may go after Massachusetts," Walton told the press, "but let's just be the best we can be in the Sunbelt and the South."

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Auto Warehouse Chains Rev Up Expansion Plans, Customer Service

(Continued from page 7)

to appeal to the professional installer, Ames said.

Service for business purchasers is another prime element of the club's approach. Business members can fax or phone in orders to be picked up, Ames said.

Auto Parts also delivers anywhere in San Diego County for a flat fee of $10 for orders of less than $250. On orders of $250 or more, the delivery charge is 4 percent of the order. "We're just trying to recover our delivery costs, not make a profit," he said.

Auto Parts draws primarily from a 10-mile radius, Ames said, but some customers have driven as far as 60 miles to shop.

As another service to professional installers, Auto Parts already has given four seminars for professional installers either to teach them how to use new products or to bring them up to speed on new laws that affect their work. Vendors sponsor the seminars and provide the instructors, while Auto Parts covers minor expenses such as fliers to promote them.

Motorcraft, the battery vendor for Auto Parts, gave one seminar, for example, on how to use its new electronic control module, and Sun Electric, which makes engine exhaust analyzers, put on a clinic on what California's tough new exhaust emission regulation means to the trade. Such seminars draw an average of 25 professionals but are closed to DIY group members, Ames said.

As another service to professionals, Auto Parts offers credit through its own credit card that a third party operates.

Ames declined to disclose what portion of sales he expects to come from professional installers as opposed to DIY customers, or how many sku's Auto Parts carries. Auto Giant will carry 13,000 sku's in 50,000 square feet of space.

Auto Parts is "quite competitive on price" with Price Club, also in San Diego, Ames said. John Carlson, Auto Parts' president and chief executive officer, is a former executive of The Price Co., which pioneered the warehouse club concept. He previously served as president of Price Club's real estate subsidiary.

Auto Parts actually beats Price Club by about 10 percent on prices of B.F. Goodrich tires, Ames noted.

Free tire mounting and balancing for $5 per wheel is the only automotive service Auto Parts offers. Auto Parts now offers no road hazard warranty, Ames said.

Automotives experience comes from Glenn Martin, vice president of merchandising, who previously owned Auto Parts Depot, a jobber with two warehouses and 25 outlets.

The honors for the first venture into auto parts warehousing, at least on a limited basis, belongs however to a St. Louis oil distributor, Chart Automotive Group. In June 1988 Chart founded what it calls The Chart Club in a 15,000-square-foot addition to its warehouse. (See DSN, Sept. 26, 1988, page 7).

Distributor customers thus have the choice of either letting Chart distributor workers pick and load their orders or go next door and save about 10 percent by doing that themselves.

The Chart Club accepts no group members, and business members pay a $75 annual fee. The offerings of about 3,500 sku's consist mainly of the same oils and chemicals that its distributor parent carries. However, it also stocks belts, hoses, batteries, spark plugs and compressors.

Chart Club entertains no ambitions either to expand its product lines or to open additional units, its manager said. In contrast, Auto Parts envisions opening 15 to 25 warehouse clubs, mostly on the West Coast and in Arizona, over the next three years.

Under president Frank Roberts, Auto Giant intends to open six warehouse stores in Southern California during the coming year with its public startup money and add eight more by the summer of 1991.

Both Auto Giant and SportsClub, as well as HQ Office Supplies, an office products warehouse chain that went public earlier this year, are creations of Robert J. McNulty. McNulty's first venture into the warehouse retailing field was the HomeClub, a home products chain that he sold in 1987 to the old Zayre Corp., now TJX Cos.

Despite the liquidation that a Chapter 11 bankruptcy trustee ordered last March for SportsClub, which once operated eight sporting goods warehouse units, McNulty had no difficulty raising $27 million from the public to found his office supplies chain.

In sharp contrast to Auto Parts Club, Auto Giant will be open to the public without any membership requirement, Roberts said. In another difference, Auto Giant will be heavily oriented toward the retail consumer. As one indication, Auto Giant will operate 16 to 20 service bays, and offer 13,000 sku's, Roberts said. Auto Giant will operate under the philosophy of "Do It Yourself, or We'll Do It For You," Roberts said.

Services to be offered include lube and oil change, tuneups, tires, batteries, brakes and shocks.

DSN Publisher to Moderate Panel Discussion at Show

NEW YORK — *Discount Store News* publisher John Failla will co-moderate a panel discussion at the February Back-To-School Merchandise Show entitled "Update '90: Projecting Trends and Developments Over the Next Decade."

The co-moderator will be Jay Forbes, publisher of *DSN*'s sister publication, *Drug Store News*.

Failla and Forbes, along with a panel of executives from leading discount, drug and supermarket chains, will use the seminar to discuss major issues facing the back-to-school, stationery and home office supplies categories, among them long-term marketing.

The panel discussion will be held on Sunday, Feb. 11, from 8:30 a.m. to 9:30 a.m. in meeting room 1A03 at the Jacob Javits Convention Center.

"For our first show of the '90s, participants will be asked to look not only at the upcoming year but to preview what can be expected in terms of growth, product development and merchandising techniques through the turn of the century," said David Thalheim, president of Thalheim Expositions, the show's management company.

The 1990 Back-To-School Merchandise Show will include more than 1,000 vendor booths.

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Vol. 28, No. 23 Dec. 18, 1989

Lechmere Adds Two Departments

WOBURN, Mass. — Lechmere, the 19-unit hard lines retailer, converted floor space previously occupied by hardware, into a baby furnishings department. Attached to the baby department is a small lighting department. A company spokesperson refused to divulge details of the new category additions. The two new departments were added in early November and feature many of the top names in their fields. In baby furnishings, Lechmere sports such labels as Fisher-Price, Little Tykes, and Prego.

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ome Office Merchandising—page 29

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THE NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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Prices Plateau as Shows Near

Consumer Electronics at K mart, Oak Park, Mich.: Vendors are trying to maintain margins by introducing multi-feature products.

Housewares at Stuarts, New Bedford, Mass.: Buyers at this month's Housewares Show will find prices stabilizing after two years of increases. (DSN photos)

At Winter CES, Manufacturers Hold Price Points, Add Features

By Pete Hisey

LAS VEGAS — Winter 1990 shapes up to be a bitter, price-oriented battleground in the consumer electronics industry, with manufacturers offering more products than ever at roughly the same prices as a year ago.

However, several manufacturers, like Funai and Royal Business Products, are entering new categories with ever-lower prices. Particularly hard-hit will be two growth areas that have traditionally held their prices: home office and portable reference devices.

Manufacturers have attempted to maintain marketshare by adding features instead of cutting prices. For instance, RCA will sell VCRs with a new simplified on-screen programming

(Continued on page 80)

Houseware Makers Brake Prices; Branch Out to New Categories

By Mary Ellen Kelly

CHICAGO — Housewares retailers will get a break from rising prices this year as manufacturers report no major hikes for 1990, after two consecutive years of significant price increases.

Vendors exhibiting at the International Housewares Exposition here in the Windy City said house wares prices in 1990 will remain relatively stable—other than minor adjustments of about 3 percent for inflation.

Adding to the downward pressure on prices: a leveling of raw material costs, with some vendors even reporting a drop in the costs of certain types of plastic; and lackluster consumer spending in the fourth quarter, giving rise to the fear that shoppers will defer

(Continued on page 79)

Wal-Mart Tests C-Store Biz; Tinkers with Hypermart USA

BENTONVILLE, Ark. — Looking for new retail worlds to conquer in the 1990s, Wal-Mart is taking its first tentative steps in tackling the gas-and-convenience store business.

The nation's No. 2 discounter has opened seven combination gas-and-convenience stores in parking lots already serving Wal-Mart discount stores, SuperCenters and Hypermart USAs. Two other convenience stores are under construction.

In a related development, Wal-Mart declined to confirm rampant rumors in the market that it is preparing to change the name of its three hypermarkets—now called "Hypermart USA"—to a name that would directly reference "Wal-Mart." Names being bandied about include "Wal-Mart USA" and "Wal-Mart's Hypermart USA."

Wal-Mart Super USA in Farmington, Mo.: One of seven C-Stores in operation. (DSN photo)

DSN has also learned from a number of ven-

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VIEWPOINT:

Guarding Environment Is Everyone's Responsibility

When Wal-Mart ran full-page advertisements last fall in the *Wall Street Journal* and *USA Today* urging its vendors to make products and use packaging less harmful to the environment, the retailer struck a chord of a growing American concern.

Since then, other chains, notably K mart, have made a similar request of their vendors. *DSN* has touched on a number of environmental concerns affecting discounters, from biodegradable trash bags to new laws governing compounds used in paint formulations. This issue contains articles dealing with both the marketing opportunities and problems created by the recycling of auto batteries and motor oil containers (see page 3), and with the continuing confusion over the efficacy of "photo" or "bio" degradable trash bags (see page 54).

Safeguarding the environment goes beyond being a business or marketing issue. It's the responsibility of retailers, wholesalers, manufacturers and packagers to ensure that making a buck doesn't mean relinquishing social responsibility. *DSN* applauds the efforts of all those who have taken up the environmental crusade, at the same time noting that much, much more needs to be done to ensure a habitable world.

MARKETWATCH

K mart Begins Construction of Florida DC

TROY, Mich. — K mart has begun constructing a 1,550,000-square-foot distribution center in Ocala, Fla., to support its planned "aggressive" expansion in the Sunshine State, where it already has 149 stores. K mart currently has 16 DCs, with the Newnan, Ga., facility serving its Florida units. The 90-acre Ocala DC is due to be completed in June 1991.

Ames Subsumes Zayre Urban Arm

ROCKY HILL, Conn. — Steve Jelin, Ames Department Stores senior vice president responsible for the Zayre Urban Stores division, has left the discounter. Ames, meanwhile, has folded the Zayre operation into the Ames merchandising organization. A group of Ames merchandisers will tailor the discounter's assortment to fit the specialized merchandising needs of the chain's urban stores which include the 61 Zayre stores and 50 or 60 Ames stores with a significant urban customer base.

Kelley Heads Up Consolidated Stores

COLUMBUS, Ohio — William Kelley, formerly president of teleshopper CVN, has been named chairman and chief executive officer of closeouter Consolidated Stores. He succeeds James M. Guinan, who retired last month. CVN, which also operated the C.O.M.B. closeout catalog division, was acquired late last year by QVC, a rival teleshopper. Guinan joined Consolidated in 1987 shortly after he took early retirement following May Department Stores' acquisition of Caldor, which he then headed.

Trump, Roth Ponder Alexander's Future

NEW YORK — Financially troubled Alexander's might soon join other New York retailers on the selling block. Controlling shareholders Donald Trump and Steven Roth, the latter head of Interstate Properties, have hired Morgan Stanley & Co. to "consider strategic alternatives to maximize stockholder value, including the possible sale" of the 11-unit apparel-oriented discounter. While Alexander's announced last October that it would open its first new store in 10 years in the East Bronx, the discounter has been focusing on its real estate, selling and/or redeveloping sites to get the most out of its properties. Trump and Roth, each of whom holds about a 27 percent stake in Alexander's, have disagreed about the chain's future, including the best use of its flagship midtown Manhattan store site across from Bloomingdale's.

EDI Awards to Wal-Mart, Others

DALLAS — EDI, spread the word! has presented three "Hundreds of Partners" awards to Wal-Mart for its electronic data interchange programs. The discounter was cited for the largest standard EDI program, the largest retailer EDI program and the fastest rate of implementing programs which occurred during the second half of 1989. K mart's Builders Square division was cited for the largest hardware retailer EDI program while SuperValu Stores (parent of ShopKo) received the award for the largest grocery industry program.

Prodigy Hits 200,000 Subscriber Mark

WHITE PLAINS, N.Y. — Prodigy grew over 450 percent last year, ending 1989 with over 200,000 households as members and about 315,000 individuals using the interactive computer shopping and information service. Prodigy has signed up about 5 percent of the households containing personal computers—IBM and compatibles and Apple Macintosh— equipped to receive the service in the 25 markets where the system is currently available, the company reported.

HSN Takes Loss; Streamlines Operations

ST. PETERSBURG, Fla. — While Home Shopping Network lost its $100 million suit against GTE, the failure didn't cost the teleshopper anything as the GTE settlement will be paid by HSN's insurance companies. However, HSN had decided to focus operations on its core electronic retailing business, taking a non-recurring $28 million pretax charge for the writeoffs of some discounted non-teleshopping operations. This step resulted in the teleshopper reporting a $14.9 million net loss for the fiscal year ended Aug. 31, 1989,against a net income of $18 million in 1987. Sales, however, increased 6.1 percent to $774.3 million from $730.1 million.

DISC Award Entries Sought

NEW YORK — Jamesway's support of the Muscular Dystrophy foundation, among other community service projects, helped the discounter earn the 1988 DISC (Discounters in Service to the Community) award.

In 1987, DISC award winner Hills Department Stores supported a vast number of charities and causes, particularly the "Just Say No" campaign against drug abuse. And, in 1986, Zayre Corp.'s contributions to a variety of programs, including scholarships for single mothers returning to school and funds for housing battered women, put that company among the most community-minded discounters in the nation.

Discount Store News is now accepting entries for the 1989 DISC (Discounters in Service to the Community) award. Started in 1979, the DISC award was developed to recognize the many outstanding community service efforts of the discount store industry.

Besides Jamesway, Hills, and Zayre, other previous honorees include Ames as well as Target.

To enter, discount chains should submit documentation (including newspaper/magazine clippings, letters, videotapes, etc.) that cites the goals and achievements of the service programs they conducted during calendar year 1989.

Each entry must include a statement of at least 100 words outlining the company's philosophy and strategy for its community service commitment. Each entry must contain four complete sets of all materials for judging. Each will be judged by a panel of judges from the discount industry, including the participation of *DSN*'s Board of Advisors.

Deadline for entries is March 1, 1990. A winner will be announced April 23, in *DSN*'s pre-IMRA show issue.

Entries should be sent to DISC Award, Editor, Discount Store News, 425 Park Ave., New York, N.Y. 10022.

DSN editor Tony Lisanti (second from right) presents the 1988 DISC Award to Jamesway officials Arlie Lazarus (left), Victor Scire and chairman Herb Fisher. (DSN photo)

New York Files Suit Against Sears

NEW YORK — Sears thought it had only to convince consumers that it adopted an everyday low pricing policy. Apparently not. New York Attorney General Robert Abrams claims the new pricing structure is a fraud and is suing the retail giant for false advertising.

The charges, filed last month by Abrams, accuse Sears of advertising everyday low prices but not carrying through with its program.

Abrams said Sears actually charges more on some products than it did before the new pricing policy was instituted last March. In addition, the lawsuit claims that Sears' regular prices are often "inflated, fictitious figures that consumers rarely, if ever, paid, and the sale prices were prices at which almost all sales were made."

The New York attorney general's suit covers about 20 items Abrams claims is representative of Sears' false advertising. These include appliances, hardware, and furniture.

A Sears spokesman said the retailer's attorneys were currently reviewing the suit.

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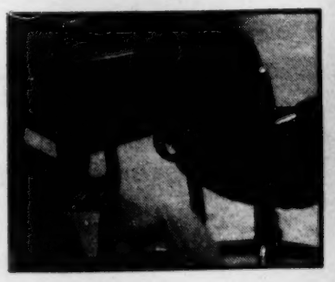


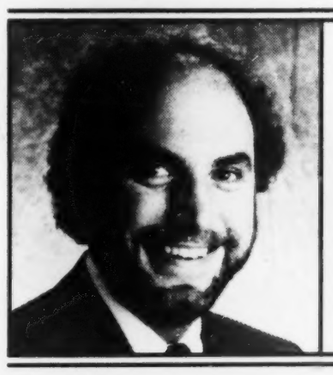
EDITORIAL

Suit Against Sears' Prices Doesn't Wear Well

It was a tough year for Sears. And it wasn't such a Merry Christmas either!

Ever since the nation's largest retailer switched to an everyday low price strategy last March to revitalize sales and revamp its stodgy image, Sears has been struggling. Its story has been the subject of the media nationwide.

And as Sears approached the holiday season hoping for a joyous celebration, it got an unexpected "gift" from New York state that dampened the holiday spirit throughout "The Tower" and kept Sears in the headlines.



TONY LISANTI
Editor

Three days before Christmas, New York Attorney General Robert Abrams charged Sears with falsely advertising sale prices. The lawsuit claimed that Sears' everyday low prices were the same as its regular prices before it switched its pricing strategy. I'm sure every retailer remembers Sears' announcement—and subsequent media blitz—that it was lowering prices on some 50,000 items and advertising it as the sale that never ends.

Well, anyone that understands the methodology of pricing understands Sears' goal for adopting the EDLP strategy. Sears was attempting to eliminate price promotions that are common in retailing, and hopefully be more competitive. Pick up any newspaper on any day and you will find examples of a product promoted at a discounted or sale price vs. the so-called regular price. The intent of EDLP is to assure customers that they will be able to purchase a product anytime at the same price. Today's consumers understand the difference between a sale price and a regular price. They know prices, Mr. Abrams, probably better than your staff.

However, if you're trying to protect the consumer, why don't you put a stop to deliberate price gouging. Consider the following example: During the Christmas season a consumer report broadcast by WCBS-TV in New York City uncovered a retailer that was charging double the average price for a popular toy. The Variety Toy Store in Brooklyn, it was reported, was selling Oopsie Daisy—one of the season's hottest items—for $70. The average price was about $38. Supply and demand? Or a ripoff?

What do you think, Mr. Abrams?

I believe that there are many other more important issues for you to spend 18 months investigating. But, unfortunately, this case will probably be debated for a long time. Its outcome will not only affect Sears but all retailers nationwide.

The credibility of the entire retailing industry is at stake.

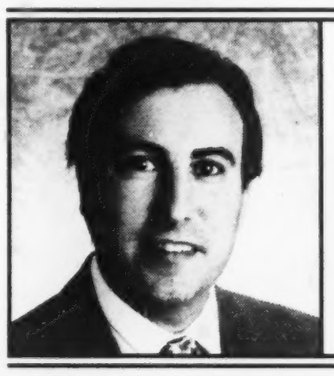
BUYERS & SELLERS

An Open Letter to K mart's Joseph Antonini

Dear Joe:

It seems everyone is kicking K mart nowadays. What has happened to the company that, in your own words, was "positioning future growth in discount operations, warehouse and groceries concepts, and specialty stores to maintain our dominance in the retail arena"?

Well, I'm not as pessimistic as some of the analysts I've heard from recently. As we embark upon a new decade, I'd like to offer some (tongue-in-cheek) New Year's Resolutions that should help improve your sales and profits.



DON LONGO
Exec Editor

A pink slip for Jaclyn Smith: Now that Sears has jettisoned Cheryl Tiegs as its spokeswoman, it's time to also bid adieu to Jackie. Without playing down her contributions in helping to get K mart apparel on the map, it seems to me that the princess of the soap opera miniseries has outlived her usefulness in selling apparel to middle class women. Roseanne Barr would make more sense, and just think what she'd do for K mart's plus-size business.

Ditto, Martha Stewart: This self-proclaimed prophet of good taste has a certain snob appeal to aspiring hostesses. However, my guess is that the mainline K mart customer, probably a working mother with a rattling side-paneled station wagon and whose best friend is her microwave oven, has difficulty relating to this Connecticut connoisseur. If you're so intent on alienating your customer, why don't you just hire Ivana Trump as "decorating" consultant.

Sell Waldenbooks: It's not a neat fit into your other retail operations, and you could reinvest the capital into your K mart discount stores. Besides, with illiteracy rising, this could be a good time to divest yourself of this division.

Nurture future shoppers: Produce a Saturday morning cartoon starring Dusty Lenscap, my favorite K mart spokesman.

Close American Fare: Convert the hypermarket into an office building. Then, you can move K mart's corporate office from Detroit to Atlanta. It's a well-known fact that analysts look more favorably upon a company that they can visit in a warm weather site.

Go west, and go east: Open stores overseas. Since past growth has been primarily fueled by store openings, you need new markets for K mart stores. Europe, especially with the changes taking place there, is fertile territory. Japan is also a possibility. After all, McDonald's has made the Big Mac sell in the Land of the Rising Sun.

As a last resort: If all this doesn't work, sell your stores, buy a television studio, and hire Pat Sajak to host a home shopping program called the K mart Shopping Network.

WASHINGTON REPORT

Court Decision Could Spell the End for RPM

Discounters are rightfully concerned over resale price fixing conspiracies designed to eliminate price-cutting and maintain retail prices at artificially high levels.

But what about resale price fixing schemes aimed at preventing retailers from charging too much for a product? Retailers injured by RPM are entitled to treble damages under federal law. But what about manufacturers who are injured by a competitor's illegal scheme to force retailers to charge lower prices? For example, can a supplier of timepieces successfully sue for damages from a competitor that conspires with retailers to place a ceiling on resale prices for its line?

KEN RANKIN

According to current antitrust law, the answer is yes—but only if an injured supplier actually lost sales or profits because its competitors fixed prices at predatory levels (a proposition that's nearly impossible to prove). Those precedents, however, are in danger of collapsing under the weight of a new antitrust case now before the Supreme Court.

At the heart of that case: a ruling by an Appeals Court panel which held that a competitor need not prove that the effect of a price fixing conspiracy was to produce predatory prices. Our hypothetical watchmaker, as a result, would be entitled to treble damages simply because its lost sales were caused by a per se illegal practice (i.e., maximum price fixing).

If the ruling is upheld, it will become far easier for manufacturers to challenge maximum resale price fixing conspiracies. And it should also become easier for suppliers to attack RPM schemes against discounters.

Overnight, the cost of RPM could go up dramatically!

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CE Chains Try to Pick Up Slack After VCR Peak

Nationwide DSN Report

Nationally, 1989 was not a good year for consumer electronics chains. Even Circuit City, the Wal-Mart of CE retailers, had a tough year, showing only 2 percent same store increases through the first three quarters.

With Highland Superstores, Best Buy, Fretters, the late Crazy Eddie, and many more reporting declining sales and less-than-robust profits, the observer was left wondering "Is *anyone* making any money in CE?"

A quick look at a list of the nation's top CE retailers is, at best, discouraging. However, there are a few survivors.

Newmark & Lewis, which had well-publicized problems in 1988, returned to profitability in '89 despite a dip during the third quarter. For a chain rumored to be on the block (management said it would simply entertain offers), the company also made strides in developing and producing a new, upscale prototype, which it rolled out to several sites through 1989, with more sites planned for 1990.

According to chairman Warren Hyman, Newmark & Lewis' troubles had little to do with the bitter New York market. "New York is not the toughest market in the world anymore," he said. "That used to be true, but now virtually every major city in the U.S. is a tough market; there are power players in the plural in every major market."

Rather, the problem remains that there hasn't been a hot new product to replace the VCR. But Newmark & Lewis, like many other retailers, has found ways to pick up some of the slack. "The VCR isn't our whole world," Hyman said. "We've seen good increases in camcorders, home office, fax machines, word processors, minicomputers, copiers and cellular telephones."

Big screen television has been healthy, although "they're not really mass market products," Hyman said. "They do well in our better stores."

The name of the game for Newmark & Lewis, though, is market share. The failure of Crazy Eddie certainly benefited the chain, but only slightly. Comparable store sales were up 7 percent in the first half of '89, but The Wiz, with locations often within a block of Crazy Eddie's urban stores, probably picked up more than other New York retailers. So, Hyman and his management team have come up with several new strategies.

The first was an everyday low price policy with price guarantees and a 125 percent money back offer if a customer found his product sold for less somewhere else. "EDLP has done well for us and kept our margins up," Hyman said. A major advantage: in the past, salespeople started at suggested list and negotiated down and "often didn't know where to stop. Now we have firm prices except in the case of meeting the competition, so there's a little more predictability as far as margins are concerned."

The company has also established its own credit card, with gratifying results. "We're taking a product [like Visa] that has a cost to us and turning it to our advantage," Hyman noted.

New Prototype

The third strategy is the store's new prototype, which includes, at central stores, custom installation for automobile sound, video and communications equipment.

With a cleaned up, high-tech look, the new prototype, which premiered in affluent Riverhead, N.Y., on Long Island, was incorporated into a Brooklyn, N.Y.,store and will be rolled out to new and existing markets through 1991.

The custom installation portion (about 5,000 square feet with six bays) is a key component, Hyman said. "The cellular telephone is being dismissed too quickly," he said. "People say it's just an auto accessory and will peak soon. But I see its future as a personal product that, in the future, you won't even think of leaving your office without. It will become a way of life."

Also, car audio and video is a booming business, with great potential for growth, Hyman said. Service centers are being established at "central" units, to serve three or four Newmark & Lewis units.

Hyman also feels that HDTV and some form of digital recorder (DAT or CD) will

(Continued on page 45)

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1988	Sales (In Millions) 1987	Percent Change	Number of Stores 1/88	Number of Stores 1/89	Number of Stores Proj. 1/90	Average Store Size (In Sq. Ft.)
Circuit City Richmond, Va.	$1,721	$1,350	27.5%	105	125	145	32,000
Highland Superstores Taylor, Mich.	911	753	21.0	72	84	97	24,000
Silo Philadelphia, Pa.	815	650	25.4	150	210	227	10,000
Best Buy Minneapolis, Minn.	507	439	15.5	40	41	51	25,000
Tops Appliances Edison, N.J.	320	284	12.7	2	2	3	50,000
Crazy Eddie[1] Edison, N.J.	253	317	(20.2)	42	43	25	10,000
The Federated Group Sunnyvale, Calif.	253	437	(42.1)	65	61	0	30,000
Newmark & Lewis Hicksville, N.Y.	238	242	(1.7)	46	52	57	9,000
American TV Madison, Wis.	235	199	18.1	6	7	7	80,000
The Wiz, New York, N.Y.	235	218	7.8	24	26	28	12,000
Fretter Livonia, Mich.	231	250	(7.6)	47	54	60	12,000
Audio-Video Affiliates Dayton, Ohio	196	212	(7.5)	114	125	130	10,000
Wall to Wall Sound & Video Cinnaminson, N.J.	152	132	15.2	107	107	107	8,000
The Good Guys[2] San Francisco, Calif.	149	120	24.2	15	18	22	15,000
Trader Horn Hasbrouck Heights, N.J.	140	140	0.0	15	16	16	8,000
Luskins Baltimore, Md.	123	127	(3.1)	44	45	46	9,000
Brick Church Orange, N.J.	100	100	0.0	22	40	40	15,000
Fred Schmid Denver, Colo.	100	93	7.5	17	19	16	12,000
Total:	$6,679	$6,063	10.2%	933	1,075	1,077	

[1]Crazy Eddie has ceased operations.

[2]The Good Guys fiscal year ended Sept. 30, 1989.

Source: DSN *research*

WAL-MART REPRINTS

For extra copies of *DSN's* special Wal-Mart: Retailer of the Decade issue (Dec. 18, 1989), use order form at right. Please include $25 in check or money order payable to Discount Store News for each copy ordered.

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Further Consolidation Anticipated in a Tight CE Market

(Continued from page 41)
both be hits, once the technology is established.

And, Hyman said, that could spur sales of some sort of HD-VCR and/or laser disc players. In other words, the "new VCR" the industry has searched for over the past three years might actually be on the horizon—and it could be a whole new round of improved definition VCR sales.

Other chains on an upward path have taken slightly different approaches. SaveMart has become in essence a manufacturers' showroom for a few selected brands, including Fisher, Zenith and Nintendo. By carrying a complete line (some products on an exclusive or semi-exclusive basis), SaveMart has maintained margins and, according to president John Kitzie, profits.

On the West Coast, The Good Guys have taken Northern California by storm by concentrating on upscale goods and top brand names. The chain also carries brands and products not available to most of its real and potential competitors.

Silo, which acquired most of The Federated Group stores from Atari Corp. in November, had until then pulled back from its aggressive expansion drive of 1987 to 1988. However, the acquisition brings Silo head-to-head with Circuit City in one of the nation's largest markets.

Filling in Markets

With those and a handful of other exceptions, 1989 was a grim year for CE chains. Comparable store sales were flat in rosier cases, and down significantly elsewhere. That was due, in part, to the industry-wide entrenchment that has led to chains filling in their existing markets with more units to forestall invasions by competitors. In turn, that has cannibalized same store sales, as new units pull customers away from established sites.

Margins have been under pressure in most categories. A resurgence of component audio and strong big screen television sales offset that erosion somewhat, but competition in high-volume products like conventional television, VCRs and portable audio has cut profits to the bone.

Also, the effect of Montgomery Ward's Electric Avenue superstores and Sears' Brand Central departments should not be overlooked. Each of these retailers has become, in effect, a CE chain larger than any existing one, including Circuit City. CE retailers have said that they don't really consider Sears and Ward competition, but both have become significant players, and Electric Avenue is as sharply priced as any CE superstore. Certainly, these two brand strategies have not helped the average chain.

Looking into 1990, CE retailers aren't optimistic. "It could be a difficult year," Newmark & Lewis' Hyman noted. Another retailer said he expects to see less growth and more consolidation in 1990, as chains build existing markets and raise comparable store sales figures.

The Winter Consumer Electronics Show will play a major role in determining what kind of year retailers can expect. Last year the show highlighted "improved" products; products with more features at slightly lower price points. And the consumer seemed to appreciate the bargains available out there.

This year that trend should continue, with value-added features like on-screen programming in VCRs, extra telephone lines in fax machines, more programmability in CD players and the like making those products more attractive to new users and replacement shoppers alike.

So does every household.

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Thomson Consumer Electronics, Inc.

Office Club Expects to Reach Profitability in 1990

(Continued from page 3)
nia, Colorado, Oregon, Washington, Arizona, New Mexico, Texas and Nevada).

Although the company has remained in the red each year, the losses have held relatively constant despite the new store openings. Helping to offset this capital drain has been a first time public offering conducted in the fall of 1988 and sales growth.

While the net loss in fiscal 1988 was $3.23 million, compared with a net loss of $2.28 million during the previous year, sales in 1988 jumped to $52.1 million vs. $10.9 million in 1987.

During the first nine months of fiscal '89 Office Club posted sales of $99.3 million, more than tripling the $32.7 million registered during the first three quarters of the previous year. The net loss, meanwhile, held fairly steady at $2.95 million, compared with a net loss of $2.28 million in the same period a year ago.

Now, however, the chain is set to leave the red ink behind and enter the black. President and ceo Mark Begelman said the company's store base is now large enough to support its added operational costs.

The base is also set to grow during 1990 by some 20 to 22 stores, primarily within the company's existing markets.

"It is well positioned, and the company has done a good job building its markets," said Salomon Brothers analyst Jack Seibald. "Office Club is different enough from most of the others . . . and they are much more targeted."

One of the first of its kind in many markets, Office Club has created its niche by focusing on just the top office supply sku's, similar to Price Club's approach to the membership warehouse club business. (Differentiation may be the key to surviving the expected shakeout in the office supply superstore industry. See *Home Office Merchandising*, cover story, page 29.)

According to Begelman, some 85 percent to 90 percent of the office supply business is done with only 600 items. So unlike some competitors—like Long Beach, Calif.-based HQ Office Supplies which stocks 8,000 sku's—Office Club offers just 2,000 sku's.

Unlike some of its competitors, Office Club maintains a membership policy, selling to non-members for 10 percent over the posted price. But, Begelman said the majority of the chain's shoppers are members. The chain offers a cash and carry membership for $10 a year. A Club Plus membership for $50 a year allows shoppers to call in orders, and obtain delivery and credit. The latter policy accounts for 12 percent of the membership base, but about 37 percent of the sales volume.

The product mix has been fine-tuned since the company's inception, with one of the key changes coming in its personal computer offering. Initially, Office Club stocked IBM computers, but because the chain was not an authorized dealer it could not offer customers adequate sales help or service, said Begelman. Additionally, since the computers were obtained through a middleman, Begelman said it was difficult to price them competitively.

So Office Club opted to pull personal computers and has just recently gone back into the category. This time, however, the company is now an authorized reseller of four Packard Bell systems. In addition to receiving employee training, Packard Bell also provides self-demonstration tapes for customer in-store use, a one-year guarantee and an all-inclusive, ready-to-use computer system.

Office Club has also adjusted its size, since first opening its Concord location. While this store, and ones opened soon after, were around 15,000 square feet, Begelman said the chain prototype is now around 22,000 square feet. The additional space allows for inventory to be stocked on the premises, a key to keeping the 97 percent in-stock level at the stores, Begelman said.

Another recent change at Office Club has been the addition of business services, such as incoming and outgoing fax service, business card and letterhead printing, overnight delivery drop off and copying. These added features have become an integral part of the operation of many office supply superstores.

Companies Recycle Plastic for Motor Oil Bottles

(Continued from page 3)
A shortage of the type of recycled plastic from milk jugs limits the amount of stock available to make the white bottles for Exxon and Valvoline. That shortage, along with Sonoco's caution about handling the new type of material, limits the content of recycled material to 15 percent.

Even at that, it will take Valvoline about two years to shift over completely.

The recycled plastic that goes into Texaco's black bottle is more plentiful. But Sonoco will need at least a year to convert all of Texaco's production to bottles that contain 25 percent recycled material.

Black bottles, such as Texaco uses, can be made of more plentiful, colored co-polymer plastics and tinted with carbon black. White bottles, such as Exxon and Valvoline use, can be made only of the kind of translucent plastic, or homo polymer, found in milk and juice jugs, and tinted with titanium oxide.

Texaco hit the market first, with shipments starting in early October, while Valvoline began shipping in recycled bottles Nov. 1 and Exxon during December.

Because the technology is new, Sonoco is taking a conservative approach toward recyled content, Prevot said.

Sonoco has tested black bottles that contain as much as 100 percent recycled plastic and white bottles with 50 percent recycled plastic. But Sonoco is concerned that bottles made with too much recycled plastic will be too weak and degrade over time.

Sonoco wants to gain experience before increasing recycled content, he said. It guarantees quality at contents of 15 percent for white and 25 percent for black, he said.

Shipments of Valvoline oil in recycled bottles will go out at random, a spokesman said.

For now, Valvoline has no plans to use recycling as a marketing edge, said Phillip Pruitt, vice president, supply and purchasing. The bottles carry no statement that they are made partially of recycled plastic.

But a couple of years down the road, when conversion is complete and the public can't mistake the move as tokenism, the use of recycled plastic could become important, he said.

"The environment is an important issue in the '90s," Pruitt said, and "Valvoline wants to be a mover."

Exxon bottles also carry no message that they are made of recycled materials, Prevot said. Texaco has taken the low-key approach, however, of printing on the back label a sentence that the bottle is made of recycled material "to protect the environment," Prevot said.

Refiners gain no price advantage by switching to recycled bottles, Prevot said.

They stand to benefit, however, if consumers perceive them as "environmentally correct," Prevot said, and refiners give them an environmental reason for buying their product.

"We are at the beginning of environmental conciousness on the part of consumers," Prevot said.

Mgmt. Development Series: Store Closures

(Continued from page 72)
there is an indication the store is beginning to meet its potential. On the other hand, if the store's potential is not realized as expected, the chain can stay with the scaled-down version and abandon the location at the end of its lease.

- **Strategic Location:** Many times the reason to stay in a particular location may not be based solely on economic logic. For example, the chain may keep a store open to maintain or enhance its visibility in a key retail market. Or, it may keep a store open to help keep the competition out.

3. Quantity Closing Costs. After the store's cost structure and real estate factors have been considered, the next step is understanding what it will actually cost to close a particular store. Some of the costs include:

- **Labor:** Costs directly related to the labor force may increase the cost of the chain's decision to close a store. Severance, for example, may be higher than estimated due to unemployment insurance and various local statutes that require payments in excess of the company's normal termination benefits.
- **De-identification and Storage:** The costs of obliterating the store's identifying marks—signage, architectural or other physical signature design—all add to the expense of closing, as do storage costs for those items that will not be used immediately by the chain.
- **Closeouts:** Knowing what the merchandise mix is in the chain's other stores is important in making an effective decision to liquidate merchandise or transfer it to another store.
- **Other Assets:** Deposits and other non-current assets such as pre-paid service contracts, pre-opening costs for newer stores, or equipment leases must also be considered.
- **Real Estate:** Rental costs until a subtenant can be found, leasing commissions, and appraisals can increase out-of-pocket costs.

The Bottom Line

Obviously, the decision to close a store or stores is not an easy one, since emotion often keeps this from being a strictly economic decision. The important thing to remember is that a decision will need to be made—and quickly—especially if a number of stores are involved.

Facing the decision to close forces management to challenge the chain's overall strategic merchandise plan and mission to ensure the survival of the company.

Houseware Manufacturers Brake Prices

(Continued from page 1)
a purchase rather than dig deeper into their tapped out pockets.

Nevertheless, vendors appear confident that housewares volume will grow during 1990. Many are projecting double-digit sales growth this year. Retailers, on the other hand, were more conservative in their sales estimates.

At this year's show, a number of manufacturers will be unveiling new products that were previously beyond their traditional scope as the term "single source vendor" becomes an industry buzzword for the '90s.

Examples include clock manufacturer, Burwood Industries' launch of servingware; tray table vendor Quaker Industries' debut of ready-to-assemble furniture; clock maker Chaney Instrument's new gift-oriented desk sets; and closet organizer vendor Whitney Production's new line of corrugated home office filing cabinets.

Despite the resignation of National Housewares Manufacturers Association president Jay Spaulding last year, the association has been far from rudderless. It recently announced plans to move its annual summer show from Chicago in July to Atlanta in September. The NHMA expects to name a successor to Spaulding by early spring, said Kimberly Rawn, director of communications.

At this winter show, both buyer and vendor registration figures and booth-count are up slightly from last year. An influx in the number of international buyers has more than offset the effect of retailer consolidation. Buyer attendance is expected to reach as high as 13,000, said Rawn.

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Bush, Compton Resign From Key Posts at Rose's

HENDERSON, N.C. — Rose's Stores president Jack Bush and senior vice president of operations Harold Compton resigned from the 256-store discount chain this month. Chairman Lucius Harvin has assumed their responsibilities and gave no indication on whether or not successors will be named.

Harvin, who was traveling and could not be reached by presstime, released a statement describing these resignations as a first step in reducing operating costs and reversing a downward trend in operating income.

Income for the nine months ended Oct. 26, 1989, plummeted to $1.8 million, or 82 percent from $9.9 million the previous year. Sales edged up 2.5 percent to just over $1 billion. While December sales were up 6.2 percent to $220 million,

Jack Bush

and comparable store sales rose 1.3 percent, Rose's is expected to report that earnings continued to nosedive during the holiday selling season.

Competition from discounters blanketing Roses' Southeastern market—especially Wal-Mart—has eroded the chain's profitability during the past three years. Wal-Mart

(Continued on page 54)

Red Ink Drowns Zayre; Urban Tack Still Afloat

SILVER SPRING, Md. — Plagued by declining sales at its 315 former Zayre stores, Ames has thrown in the towel on the once mighty Zayre name, converting all 61 of the "inner city" stores to the Ames moniker.

Late in November, the chain had premiered its new apparel-intensive urban format in this Washington, D.C., suburb. Despite the renaming, Ames will continue its experiment in marketing to urban audiences. The new format differs dramatically from both the old Zayre and the new parent Ames.

***Fashion will play a key role** in Ames' merchandising of ex-Zayre stores, such as this remodeled unit in Silver Springs, Md.* (DSN photo)

But according to Ames vp, merchandising Les Dietzmann, the final look of the old Zayre stores is still up in the air. "A lot of this will end up in the stores, but there will be more adjustments," he said.

This much is certain. The urban division has reassessed its customer base. Consequently, it has upgraded its stock, cut out product areas that don't apply to urban consumers, massed out most basic products, improved security and in-stock position, and cleaned up Zayre's disorganized stores.

The most obvious difference is a new racetrack configuration, designed by Columbus, Ohio-based Retail Planning Associates. The racetrack encircles three "pads" that house men's apparel, home fashions (soon to be moved to the rear of the store), and ladies' accessories.

Fashion is a key to the new look. Hard lines has been pared down to allow an expanded selection. Gold lamé skirts, $200 soft leather jackets (a test), animal pelt-look tops, furs and fur trims, leather accessories, embroidered hosiery and much more vie for attention in ladies', while men's features

(Continued on page 50)

Apparel Off-Pricers Benefit From Campeau Fiscal Woes

By Richard C. Halverson
Nationwide DSN Report

The financial woes of the Campeau department store empire have cut both ways within the off-price apparel sector.

As Campeau struggled to raise cash through heavy Christmas promotions, consumers became wary about shopping off-price chains, forcing T.J. Maxx, for instance, into its first ever Christmas promotions.

And the heavily promotional department store environment that Campeau touched off prompted Marshalls to tighten its reins on inventory buying when it sensed that consumers were holding back on shopping at off-pricers because of price slashing at department stores.

At the same time, vendors were offering extra quantities of merchandise—including labels never before available—at especially sharp prices because they were worried about getting paid from Campeau.

Now that Campeau has filed Chapter 11, one of the big questions hanging over the off-price apparel sector is whether those merchandise bargains will continue to be available. Vendors are more assured of getting paid now that a bankruptcy court is approving how Campeau, which changed its name to Federated Stores, is handling its cash.

"Consumers held back" on shopping at Marshalls because of the promotions at department stores," said Stanley P. Goldstein, chairman and ceo of its parent, Melville Corp.

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Jordache to Convert Heck's Into Closeouter

NEW YORK — Another venerable name in discounting—Heck's—is going down in flames, while an as yet unnamed closeout chain stands ready to rise from its ashes.

Jordache Enterprises, New York, this month signed a tentative agreement to begin managing and eventually acquire all the retail operations of Heck's, Nitro, W. Va.

Jordache plans to convert the 55 surviving Heck's stores into closeout units patterned after Schottenstein Stores, Columbus, Ohio, said Jordache president Avi Nakash.

Jordache may also reopen at least five units that Heck's had earlier closed, said Nakash.

Jordache intends to shift the product mix to 70 percent soft lines from a predominately hard lines mix. About 20 percent of the apparel would be Jordache-labeled goods.

If the deal goes through, Jordache would be the second apparel manufacturer in a year to buy a troubled retail chain. Last January, the Dabah family that owns Gitano bought The Children's Place from Campeau Corporation.

(Continued on page 20)

***Jordache plans to convert** the 55 surviving Heck's stores into closeout units patterned after Schottenstein Stores.* (DSN photo)

MARKETWATCH

Sam Walton Treated for Bone Cancer

BENTONVILLE, Ark. — Wal-Mart chairman and founder Sam Walton revealed to employees that he has a form of bone cancer called multiple myeloma and has undergone chemotherapy and radiation treatment at the M.D. Anderson Cancer Center in Houston. Six years ago the center treated Walton for hairy cell leukemia, which went into remission. "Along with Mr. Sam's doctors, we are encouraged that because of early detection and treatment, full recovery is expected. The doctors tell him that it is fully treatable," said spokesman Don Shinkle said.

D-H Names Watson To Succeed Allbright

MINNEAPOLIS — Dayton Hudson Corp. named Stephen E. Watson as president to succeed Bruce G. Allbright, who retires Jan. 31. Watson, 45, was executive vice president of the corporation and chairman and ceo of the Dayton Hudson Department Store Co.

Pace Sets Buffalo Unit as March Debut

AURORA, Colo. — Pace will open its first membership warehouse in New York state in early March. The 114,613-square-foot store will debut in the Union Consumer Square Shopping Center in the Buffalo suburb of Cheektowaga. The move is part of Pace's plan to aggressively expand in the Northeast and make the region a major new market for the K mart-owned 47-unit chain.

BizMart Expands Into Utah, Nevada

ARLINGTON, Texas — BizMart, expanding its Southwest/Rocky Mountain States base, entered Nevada this month, opening a store in Las Vegas. This follows its earlier debut of the first of two units in Salt Lake City, Utah.

JCPenney Signs Two Videotex Services

DALLAS — JCPenney has plunged further into electronic retailing by signing on with two interactive computer videotex services, CompuServe and U.S. Videotel, to sell goods from its catalog. JCPenney already is on Prodigy's interactive computer service and runs the JCPenney Television Shopping Channel.

International Jaycees Honors Kilian

BIRMINGHAM, England — Junior Chamber International has presented its Outstanding Young Persons of the World Award to Gerald W. Kilian, 37, manager of the K mart in Sycamore, Ill., for his ongoing efforts on behalf of needy children in the United States. Kilian was also recognized by the U.S. Jaycees in 1988 as one of the Ten Outstanding Young Americans for his charitable efforts.

IRS Probes Service Merchandise Officers

NASHVILLE, Tenn. — The Internal Revenue Service is engaged in a tax fraud investigation of two Service Merchandise executives, Howard Levy, executive vp and a director, and George Foy, group vp, loss prevention/administration. The cataloger said the IRS had subpoenaed certain company records but that neither the firm nor any other officers were targets of the investigation. "A special committee of the company's board is conducting its own investigation into the matters which are the subject of the subpoena," the firm said.

Auto Giant Sets February Debut

LONG BEACH, Calif. — Although originally projected to open last November, Auto Giant is now set to open its first warehouse-style 46,000-square-foot auto parts store Feb. 8 in San Bernardino, Calif. The company will offer both wholesalers and consumers over 10,000 sku's.

FOR THE RECORD

Wal-Mart plans to open its first discount stores in the Northeast this year in Pennsylvania. A story in *DSN's* Jan. 8, 1990, issue incorrectly stated that the stores were already open.

Antonini Urges Greater Investment In Minority-Controlled Businesses

'Through involvement, both nationally and locally, we're realizing that tremendous benefits go to the communities of these minority business.'

KANSAS CITY, Mo. — K mart has invested $1 million to help create business opportunities for minority firms.

At a meeting here earlier this month, K mart chairman Joseph E. Antonini told the Kansas City Supplier Development Council and the Chamber of Commerce of Greater Kansas City that through the third quarter of 1989, K mart spent nearly $500 million purchasing store merchandise and expense items such as supplies, printing and construction, from minority businesses, 16 percent more than in 1988.

He said that K mart uses over 500 minority suppliers. These firms are owned by blacks, Hispanics, Asians, American Indians and women.

"Through involvement, both nationally and locally, we're realizing that tremendous benefits go to the communities of these minority businesses," said Antonini.

K mart joined the National Minority Supplier Development Council in 1985. Antonini became chairman of the council in November 1988. Since Antonini's involvement, $1 million in contributions have been made to the group's Business Consortium Fund.

Antonini's speech centered on the importance of including and encouraging minority business involvement in corporate America.

Cultural diversity, said Antonini, is necessary for K mart and other companies. Antonini said the council's computerized data base of over 15,000 minority firms provides a "powerful network" of information. He said K mart has found the network helpful in making supplier decisions by informing the user about what minority firms are available, their type of business and where they are located.

Rurka Appointed to Head TRU's European Division

PARAMUS, N.J. — Looking ahead to the elimination of Common Market trade barriers in 1992, Toys "R" Us has created a new position, president of TRU, Europe, and appointed David Rurka to the position.

Rurka will retain his position as head of TRU in the United Kingdom.

TRU, which operates 74 international toy stores, plans eventually to open stores in all European countries, said chairman and chief executive officer Charles Lazarus.

Over the next three years, TRU plans to enter Italy, Spain, Belgium, the Netherlands as well as Luxembourg.

"Developments in Europe leading to the consolidation of the European economic community in 1992 present both challenges and unique opportunities to focus our strategy and resources on a truly pan-European basis," he said.

TRU now operates 27 international stores in Canada, 23 in the United Kingdom, 13 in West Germany, five in France, two each in Singapore and Malaysia and one each in Hong Kong and Taiwan.

In the United States, it operates 404 toy stores and 137 Kids "R" Us children's clothing stores.

Sears Stands Firmly Behind EDLP Policy

CHICAGO — Sears is standing firm with its everyday low pricing policy and has no plans to back away from it, a company spokeswoman said.

In fact, Sears remains quite committed to EDLP, advertising everyday low prices and promoting such concepts as name brand merchandise and customer satisfaction.

The giant retailer has *(Continued on page 54)*

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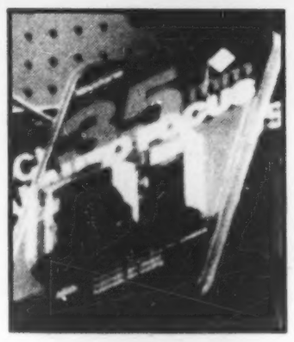

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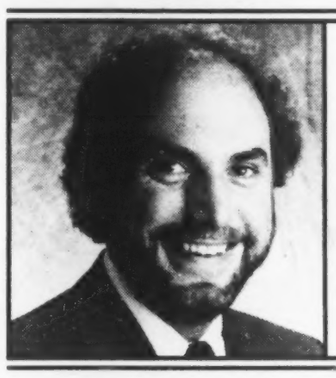
EDITORIAL

A Fateful Point for Leading Discounters

Well, I never did make it to Long Beach to interview Robert McNulty, the well-known—sometimes criticized, sometimes applauded—retail entrepreneur. In fact, I never made it to *DSN's* Los Angeles office to meet with associate editor Pam Meek either.

Following a busy schedule at the Consumer Electronics Show in Las Vegas, I flew into Los Angeles, rented a car and stopped to have lunch. I was excited about meeting McNulty, founder of HomeClub, SportsClub, and most recently HQ Office Supplies Warehouse, one of the newer entries into the booming office supply megastore segment. I had heard a lot about him—his flashiness, his creativity, his outspokenness—and I was looking forward to discussing retail trends with him.



TONY LISANTI
Editor

Following lunch, the valet parking attendant brought my car to the restaurant's entranceway and opened the door for me. I got in the car, put on my seat belt, and put the car into drive when it took off like a 747. The brakes wouldn't respond and the next thing I knew I was thrust onto busy La Cienega Blvd. swerving to avoid hitting other vehicles and crashing into a pole. I was injured, but I was lucky.

So instead of spending a warm and sunny winter day in Long Beach with McNulty discussing HQ and the office supply segment, I was at Cedars Sinai Hospital. That's fate, and as the saying goes, "---- happens!"

And certainly a lot of it is happening in discount retailing. While I was recuperating, I thought about the fate of several retailers in 1990. Here's a summary of some of the top retailers who face a critical point in their existence during the coming year. It's time for these retailers to get it together.

- Sears. So what's it going to be: EDLP, sales, promotional prices, special purchases or all of the above? Will the venerable retailer continue to struggle or regain its old luster?
- K mart. The pressure is on—plain and simple—to boost earnings. Sales have been disappointing and analysts are wondering why? Are PACE and other specialty concepts steering the company away from its core business?
- Wal-Mart. Big bicoastal expansion plans into new markets (California and Pennsylvania). Will this be the kryptonite that finally weakens this superpower and breaks its streak of double-digit sales and profit gains? Will problems of other retailers tempt the Bentonville, Ark., brain trust into an acquisition that will give it instant penetration in the Northeast?
- Target. Quietly performing and becoming a merchandising innovator "across the USA," the chain is still sparkling as Dayton-Hudson's jewel, but it is undecided about its pricing and its growth strategy. Will it be EDLP or not? What region will it be for aggressive expansion? Will the temptation of entering the competitive Northeast overshadow growth elsewhere?
- Ames. Zayre or not, the name is not the problem, but performance is. It's time to get it together, because stockholders are running out of patience. Will things fall into place as predicted or are more changes inevitable?
- Hills. The Gold Circle stores are still being digested. Will it cause a severe case of heartburn? Are more drastic changes such as the acceptance of credit cards on the drawing board?
- Caldor. Now May-less, everyone's watching. Will remodeled stores and other operational changes give the regoinal chain a new lease on life?

And what's happening in the office supply segment? Is the predicted shakeout going to happen in 1990? This was among the questions I planned to ask HQ's McNulty last week. But I'll still have the chance and report back in a future column.

It's evident that 1990 will be a turbulent year. And more and more people are watching with great concern.

BUYERS & SELLERS

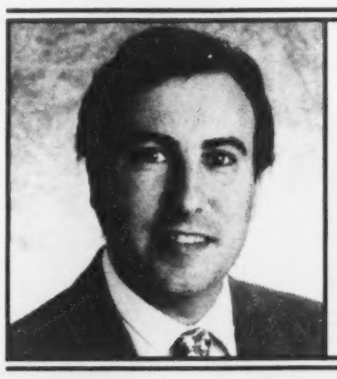
The 1990s Will Demand Greater Cooperation

It's still January, so I guess it's O.K. for me to add one more "Retailing in the 1990s" commentary to the hundreds of such prognostications you've been reading about since a few weeks before the beginning for the new decade.

Here are some of the dynamics shaping the future of the retailer-vendor relationship.

Increasing complexity in buying/replenishment decisions: A typical retail chain with 100 stores, each with 30,000 sku's, getting about six turns annually on its merchandise must make a mind-boggling 18 million replenishment decisions yearly at the store. That's the estimate of Otto Becker, a partner and managing director of management consulting for Ernst & Young, one of the Big 6 accounting firms (formerly the Big 8—so you can see that consolidation is not confined to the retail industry).

Now, compound that 18 million figure by the introduction during the year of new items and you have an exponential growth in decision-making tasks. Then, if retailers begin to tailor the merchandise assortments for individual stores in specific markets, that multiplies the decision-making requirements even further.



DON LONGO
Exec Editor

With this in mind, I'm sure retail buyers of the future will not only have to be better trained, but they must have the vision to see how all those complex buying decisions fit into the overall mission of the retail company.

Increasing vendor sophistication in selling to the mass market: By the same token, vendors will have to better understand the differences between Sears, Ward, K mart, Target, Wal-Mart, Stuarts, Jamesway, and Price Club if they hope to be successful in the '90s.

More technological efficiencies: It's a given that technology will improve in the '90s. But, the retailers and suppliers who will benefit the most will be those who make an everyday commitment to lowering costs through operational improvements. Investing in technology is not buying a new mainframe or a new software package. It's having the commitment to continually question and refine your methods of operations.

Dexterity and speed, always crucial elements in the success of a retailer, will become even more critical in the 1990s. Retailers will also use new technology such as artificial intelligence to tailor their product assortments to individual markets. At E&Y's recent press briefing, Becker pointed out that by doing focused analysis of demographics and actual sales results, the retailer will be able to develop customized products and assortments for his stores.

Merchandise pipeline visibility: The retailer needs to know status of his inventory at every stage of its trek to his stores. Wal-Mart's example of tracking its truck fleet via satellite is a leading-edge example of this need.

Strategic partnerships will become ever more important: "In the relationship between the retailer and his supplier, the adversarial mode days are dwindling, if not gone. The dependencies are increasing. In the development of strategic partnerships retailers will have a say in product design," said Becker. "For example, two of the most dominant retailers in their businesses, The Limited and Wal-Mart, have a hand in product design. It's a market-driven need."

The danger I foresee is when Wal-Mart or some other giant retailer has such a hand in product development that it dominates the resources of its individual suppliers to such an extent that that supplier can only serve Wal-Mart. In effect, the manufacturer, especially if it is a relatively small vendor, is too dependent on one customer and completely vulnerable to that single account.

One supplier told me that many retailers refuse to deal with some suppliers of Wal-Mart because they don't feel they can get equal treatment, and are thus at a competitive disadvantage.

The thaw in the Cold War between retailers and vendors should be a positive development for the entire industry. But, it also presents new challenges for manufacturers.

There's an old adage that "Retailing takes no prisoners." If that's true, suppliers will have to be extra careful in the years ahead to avoid becoming captives of their retail customers.

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Vacuums Continue to Clean Up Consumer Dollars

Nationwide DSN Report

In the November 1927 issue of *National Geographic* there was an advertisement for an upright vacuum cleaner for $59.50.

A recent Ames circular advertised a Eureka canister vacuum for $59.99 on sale plus another model for $69.99.

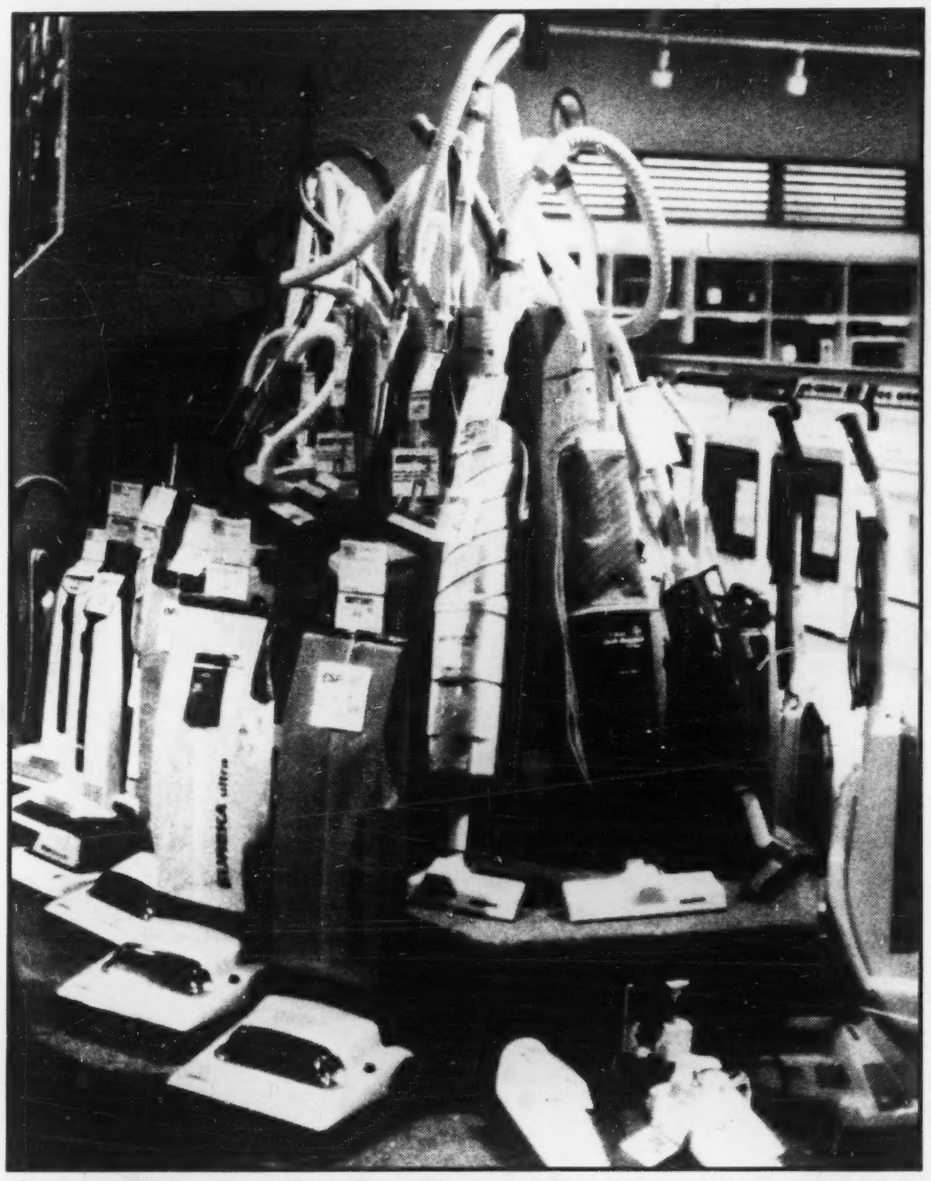
Aside from having similar price points, current model vacuums perform much better than earlier-made machines and include many more features, options and accessories. Obviously, a $59.99 vacuum is a promotional model in 1990.

The relative price stability in the vacuum cleaner industry is a by-product of many factors including advanced technology, factory automation, and the wide assortment of products at numerous price points and quality levels.

Today, vacuums are available at retail for upwards of $59—sometimes less on sale—and it's a much better unit than the one sold in 1927, said Cliff Wood, executive secretary of the Vacuum Cleaners Manufacturing Association, North Canton, Ohio.

Generally, consumers purchase vacuum cleaners at the mass market for $59 to $199. Model units priced too far over $100 tend to diminish in popularity, sources said, noting that the most popular price for a model seems to be about $89.

However, the market for more expensive models is beginning to grow, particularly at catalog showrooms and membership warehouse clubs which cater to a more diverse and affluent customer base.



Vacuum Cleaners at Best Buy, Kansas City: *Sales of high-end models are picking up, especially at CE retailers and catalogers.* (DSN photos)

PACE, El Monte, Calif.: *Warehouse clubs are now offering their customers in-store demonstrations of models such as Eureka and Hoover.*

For example, Electrolux, a high-end vacuum cleaner that was sold door-to-door for many years, has found its way onto retailers shelves. Retailers such as Service Merchandise, Consumers Distributing and Price Savers Wholesale Warehouse now stock and promote Electrolux with their regular mix.

Including Electrolux at Price Savers was a strategic decision, said Phil Sutterfield, vice president, merchandising at the 14-unit, Salt Lake City-based wholesale club chain. Three months ago, Sutterfield pared his inventory to make room for two Electrolux models that carry price tags of about $300.

Sutterfield feels his 15 percent to 40 percent "price-value" advantage make the addition of the upper-end models attractive to his customers. In-store demonstrations of Electrolux and Hoover—four sku's—provide greater exposure to the category and help swell sales.

A $2 billion at-retail industry, vacuum cleaners have set new sales records every year for the past five years, said Wood of the Vacuum Cleaners Manufacturers Association.

In 1989, unit sales are expected to total 11.4 million, up 7.5 percent from 1988. In 1990, Wood anticipates sales will rise between 5 percent and 7 percent, to over 12 million units. Sales should continue to be particularly strong with uprights, which constitute more than half of all unit sales followed by canister models with 35 percent and the balance in stick models, according to industry sources.

About 25 percent of all vacuum cleaners are sold by mass merchants, many of whom are increasing the size and scope of their departments to meet the increasing demand for newer model vacuums.

"I'm constantly amazed at how well we're doing," said Wood. "The economy isn't that great, yet we do well. We're on a roll."

Vacuum cleaners are a 12-month business sold primarily to replace existing models. Vacuum cleaners are owned by 95 percent to 98 percent of all American households, the highest penetration of any household appliance, sources reported.

However, helping to drive the market to new heights is a trend toward multiple unit ownership, supported by busy schedules and the need for easy and convenient household appliances.

In fact, approximately one-third of all households already own more than one vacuum unit: a regular model for thorough cleaning; a stick model for light cleaning; and a hand-held vacuum for spot cleaning. That trend is expected to continue, sources said, and mass merchants will be the prime beneficiaries since name brand merchandise and value-pricing are the hallmarks of the industry.

Interestingly enough, vacuum cleaners are not selling because consumers have gotten more fastidious about their homes. Quite the opposite. In fact, 20 years ago, consumers, typically the woman, spent about 30 hours a week cleaning her home. That time has been reduced to approximately 11 hours a week.

Manufacturers are doing more than digesting those statistics, they are acting upon them.

Examples of this include: Black & Decker, the housewares/hardware manufacturer, which entered the vacuum cleaner market several years ago; Electrolux, which purchased Regina last year, thereby opening up retail avenues for the one-time door-to-door brand; and Sharp, better known for its consumer electronics and its worldwide vacuum business, which entered

(Continued on page 30)

Vacuum Facts

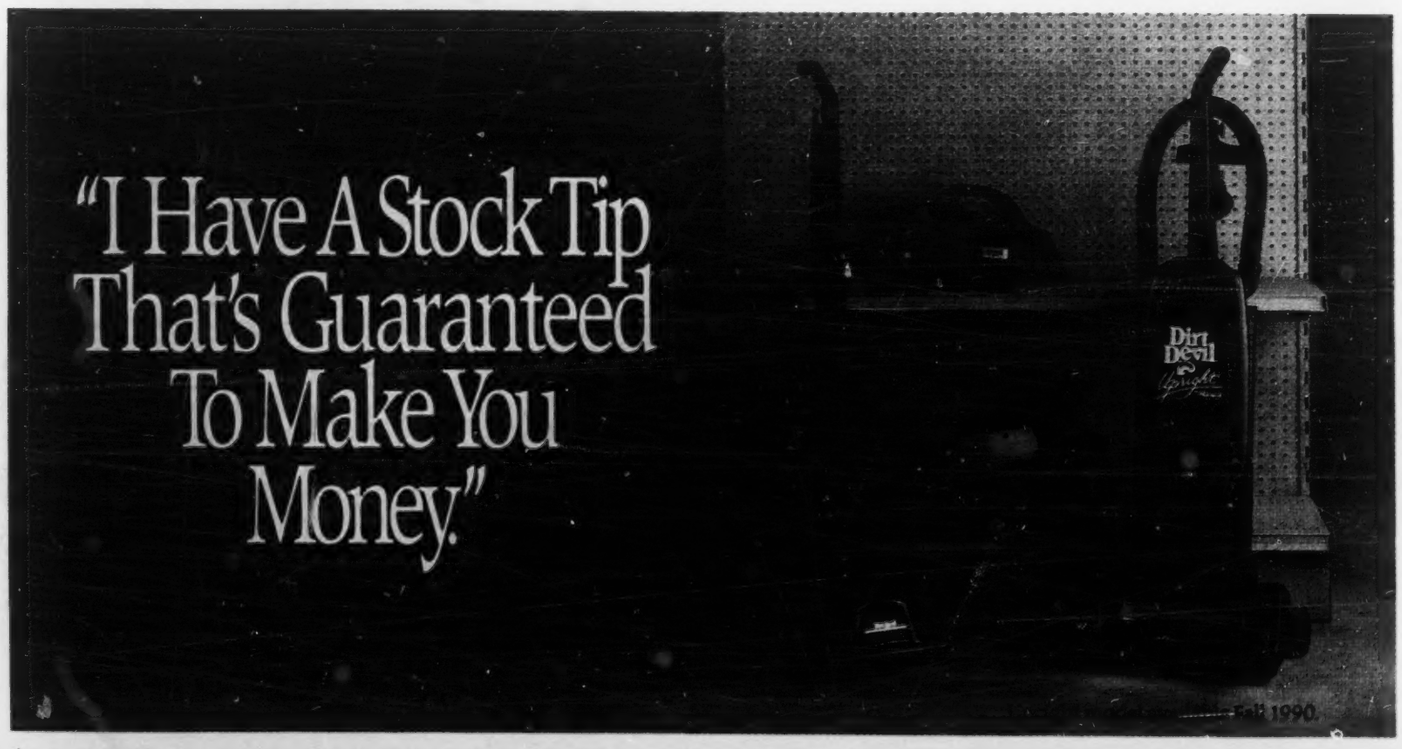
Household Penetration: 95% to 98% of households own at least one vacuum

Dollar Size of Market: $2 billion

Unit Size of Market: 11.4 million units sold in 1989, 7.5% increase over 1988. Over 12 million units expected in 1990

Price Range: $59 to $199 per unit

Source: DSN research



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John G. Balch
President,
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HOME PRODUCTS

Vacuum Cleaners Soar

(Continued from page 28)
the U.S. market five years ago and now is developing its customer base.

Bissell, popular for its stick vacuum models, is currently developing items for late 1991 that would expand its product lines beyond its current mix of convenience cleaning equipment, said Jim Kindley, vice president, marketing for Bissell.

"The mass market is best suited to sell brands at value," said Kindley. "And we certainly want to continue participating in that."

New, improved models are expected by most manufacturers, however, line additions are closely guarded. Hoover and Singer were expected to introduce new models at the Housewares Show in Chicago as were other vendors.

Retailers, too, are reportedly expanding their vacuum departments to take advantage of the high ticket sales, the 20 percent to 25 percent gross margins, and rising price points.

One Midwest retailer, who asked not to be identified, said this year he increased his department size from 8 feet to 12 feet to accommodate three new sku's he added. In addition, the buyer anticipates adding another one to two sku's this year to the nine he already offers.

Business for this Midwestern retailer is up 30 percent from a year ago on top of a 50 percent increase in 1988.

Apparently vacuum cleaners are performing well for Service Merchandise, too. The cataloger offers 40 vacuum cleaners, 22 of which are uprights, 13 canisters, four stick models and two carpet sweepers plus hand-held vacuums, carpet machines and wet-dry vacs. A year ago, Service Merchandise offered 36 vacuum cleaners, 19 of which were uprights, 12 were canisters and five were stick models.

MANUFACTURER NEWS

ARLINGTON HEIGHTS, Ill. — **Spartus Corp.**'s clock and lighting product development group has split into two separate departments to encourage greater diversity in new product development.

Alex Kowalenko, former vice president of product development, has been named vp, merchandising, a new position. He will oversee Janice Latimer Tonyan, director of design, clock division and Charles Flynn, director of design, lighting division. Both design directors joined the company in 1984.

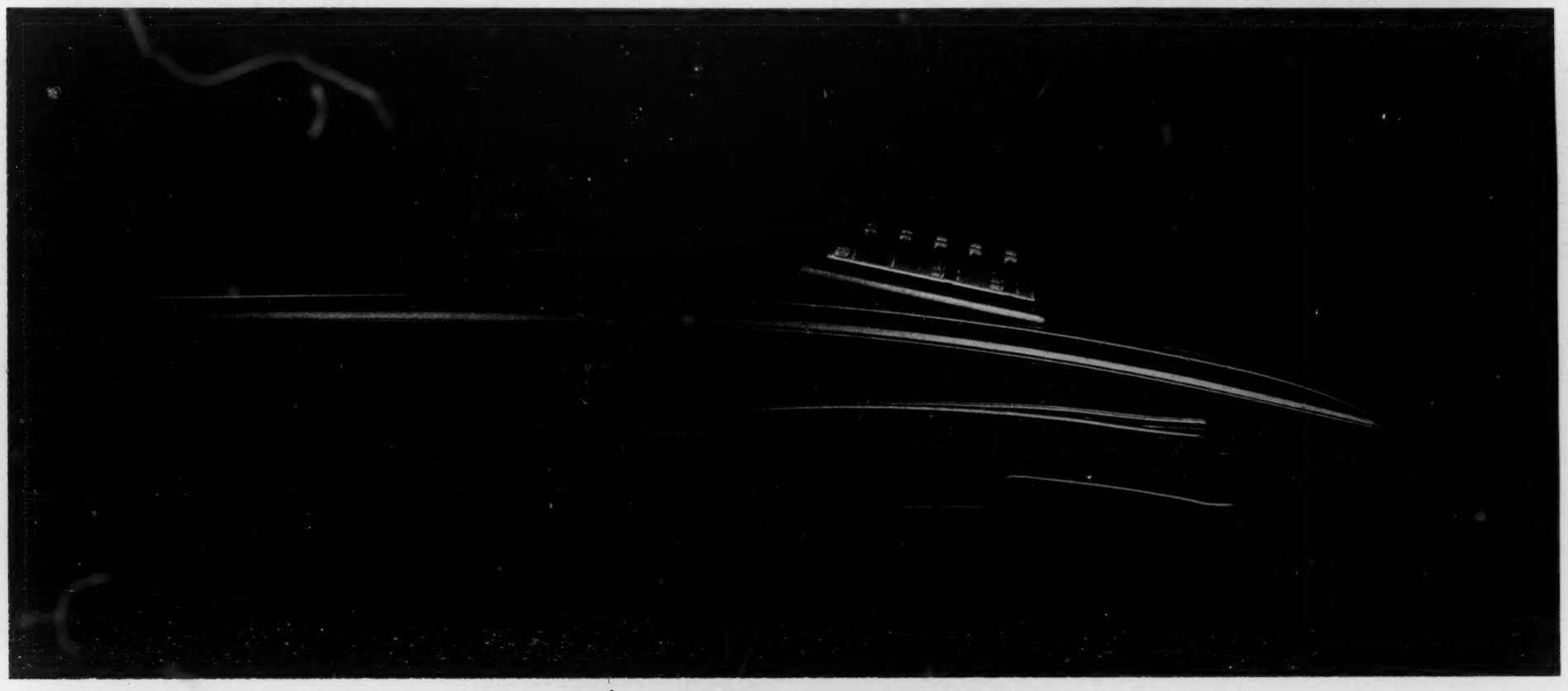
* * *

WASHINGTON — **Black & Decker** has settled a Federal Trade Commission complaint alleging that the small appliance manufacturer misrepresented endorsements for its Automatic Shutoff Iron.

The agency had charged that advertising for the Black & Decker iron misled consumers by stating: "Only one iron has the exclusive endorsement of the National Fire Safety Council" and "All irons should come with this seal. Only one does."

According to the commission, such statements incorrectly implied that NFSC is an organization "with expertise in the evaluation and testing of appliance fire safety and that the group had "conferred its exclusive endorsement" on the Black & Decker iron "on the basis of an independent, objective and valid evaluation or test, using generally accepted procedures."

In signing the consent agreement with FTC, officials of the Maryland-based manufacturer agreed that the company would not represent that a product had expert endorsement "unless the endorser has the expertise represented" and has conducted valid tests of the product. They further agreed to maintain test reports and other information used to document any future claims for a three-year period.



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LICENSING 1990

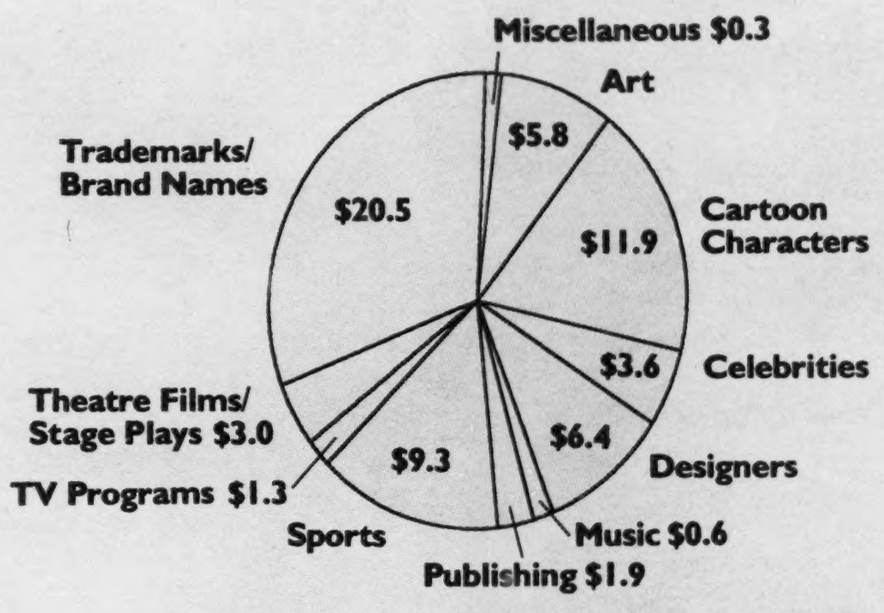
Licensing Sales By Product Category

(In Billions)

Source: © 1990 New Market Enterprises; The Licensing Letter, January 1990.

Licensing Sales By Property Type

(In Billions)



Source: © 1990 New Market Enterprises; The Licensing Letter, January 1990.

Licensing: Name of the Game in Toys

Nationwide DSN Report

Over the past decade, the toy industry share of licensed products has slipped from a dominating 80 percent share to 12 percent of the total in 1989, down a point further from 13 percent in 1988.

But shed no tears for such hot properties as Teenage Mutant Ninja Turtles and Batman licensed goods, because licensed toys and games still accounted for more than half of retail sales of toys in both 1988 and 1989.

Retail sales of licensed toys and games totaled $7.8 billion in both 1988 and 1989, estimates *The Licensing Letter*, a Scottsdale, Ariz., newsletter that has been tracking the licensing industry for more than 10 years.

In 1988, retail sales of toys (excluding Nintendo video game products) totaled $12.75 billion, meaning licensed goods accounted for 61 percent of the market.

The Toy Manufacturers of America will release its estimate of 1989 retail toy sales at next month's Toy Fair in New York.

Even though the toy share of licensed sales slipped last year, the total value of all licensed goods rose 8 percent to $64.3 billion last year from $59.8 billion in 1988.

Thanks to that larger base, the dollar volume of licensed toys held steady in 1989, even though its share of the market slipped. "The toy year wasn't that great," said Arnold Bolka, publisher of *The Licensing Letter*.

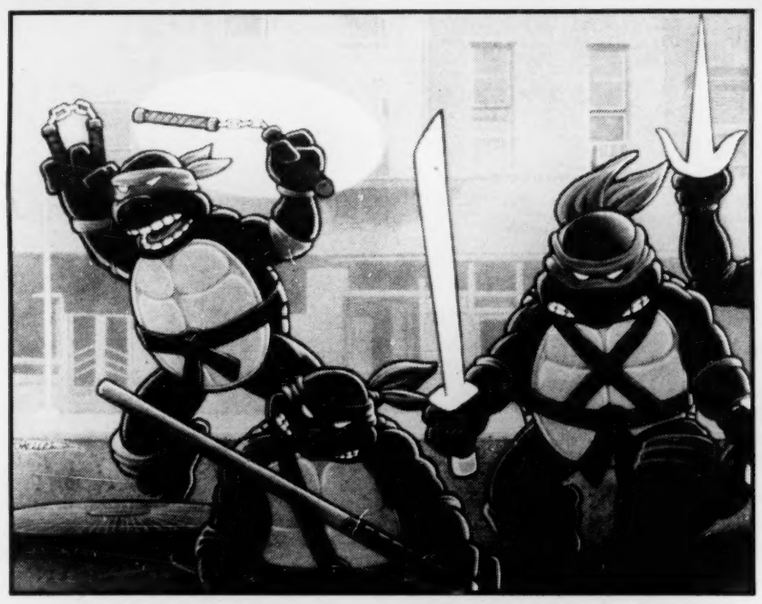
More important, other categories are growing, he said. Apparel and accessories, for example, increased to 35.5 percent of the total pie in 1989, Bolka calculated in his year-end review of licensing.

A decade ago, toys were the early and No. 1 user of licensing, Bolka said, when the total licensing industry accounted for about $5 billion in sales. Toys now holds a No. 2 spot.

Although apparel has opened a wide lead over toys, the toy share of licensed products currently looms larger than the entire total of licensed merchandise that existed 10 years ago.

Looking ahead to 1990, Bolka said, "as the toy business goes, so goes licensing."

Toymakers "know the power of licensing," Bolka said. "They constantly are looking for ways to apply licensing technology to the design and marketing of toy lines."



***Teenage Mutant Ninja Turtles** has gained such popularity that its name is being licensed for other categories.*

With its Teenage Mutant Ninja Turtles, the most popular 1989 toy after Nintendo, Playmates, La Mirada, Calif., particularly is enjoying the licensing boom. Ninja Turtles was licensed to Playmates from its comic book origins and has gained such popularity that its name is being licensed for other categories, such as apparel.

Last year, of course, was the Bat Year, and Batman licensed toys from Toy Biz did extremely well, Bolka said.

Toy Biz shipped between $75 million to $100 million worth of Batman action figures, playsets and vehicles, said Robert Pagano, vice president, marketing. "We produced to capacity and could have sold more. How much more is anybody's guess." Those guesses ranged up to twice as much.

"We're looking forward to a second good year," Pagano said. Toy Biz will be introducing new products at the Toy Fair, Pagano said, but he declined to release any information about them.

Ghostbusters from Kenner were also strong, Bolka said.

And contrary to popular belief, Cabbage Patch still ranks high for licensed toys and games, he said.

As if to ratify his opinion, Original Appalachian Artworks, Cleveland, Ga., announced it has signed two more licensing agreements for toys based on the Cabbage Patch license it holds. Chilton Globe will make children's tea sets and cookware, and Rose Art will make activity sets, such as paper doll and latch-hook sets, OAA announced.

They join Playskool, which makes a children's "ride-on" and Milton Bradley, children's puzzles.

Their parent, Hasbro, holds the license to make Cabbage Patch Kids themselves and expects to sell $100 million worth of the dolls and new accessories, such as doll strollers, playpens, rockers and carriers this year.

(Continued on page 49)

Will Dick Tracy Nab Merchandising Niche?

Is there apparel licensing life from movies after "Batman"?

Well, Walt Disney Productions is banking on that venerable square jawed private eye, "Dick Tracy," to nab some major box office and merchandise dollars this summer, when the studio releases the potential blockbuster movie in theaters nationwide in June.

"Dick Tracy" stars Warren Beatty as the famous comic book dick, and the big-name co-stars include Madonna as "Breathless" Mahoney and Al Pacino as Al "Big Boy" Caprice.

Disney has been on a big box-office winning streak of late, with such hits as "Three Men and a Baby," "Good Morning Vietnam," "Who Framed Roger Rabbit," "Honey, I Shrunk the Kids," "Dead Poets Society" and "The Little Mermaid" to the studio's credit.

The licensing/merchandising gears for "Dick Tracy" are already being greased. In apparel, the plum licensing category—the one for T-shirts, mock-Ts and fleece tops—has gone to Village Mews, the Van Nuys, Calif.-based T-shirt designer and manufacturer.

Village Mews has exclusive rights as the "Dick Tracy" licensee in those apparel categories, and designs will feature a blend of situation art related to the key characters, along with social expression art that ties into the movie concept developed by Disney.

According to Village Mews,

(Continued on page 49)

I · N · S · I · G · H · T · S **LICENSING 1990**

Stationery Licensers Stand By Old Standbys

Before hot properties are added to a lineup, their staying power is completely scrutinized

Nationwide DSN Report

When it comes to licensed characters and designs in stationery, classic is best.

Manufacturers and retailers alike report that old, familiar characters such as Mickey Mouse and others from Disney, Sesame Street, Peanuts, Garfield, Ziggy, and the about to be relaunched Holly Hobbie, comprise a partial list of old standbys that turn in consistent sales year after year.

However, many manufacturers and retailers said they are avoiding the "hot" properties. These are the characters or themes that rush the market, soar and fizzle quickly, many times before product even reaches retail shelves, and sometimes even before samples are made. Potential hot properties are being scrutinized more than ever before they are added to a lineup.

Overall, the licensed products business has been growing at between 5 percent and 7 percent annually. But last year, licensed products grew by 8 percent over 1988 to $6.8 billion at retail, according to the 14th Annual Licensing Industry Survey released by The Licensing Letter, Scottsdale, Ariz.

Licensed stationery goods, which is part of the survey's publishing/stationery category, accounted for 10.5 percent of all licensed product sales in the $64.6 billion business.

Effective Marketing Tool

"When used properly, licensing is an extremely effective marketing tool," said Murray Altchula, executive director of the Licensing Industry Merchandisers Association. "It is a borrowed image with a consumer acceptable brand image."

However, that brand image must be carefully affixed to products, both manufacturers and retailers have learned. Simply applying a well-known licensed character to a product doesn't guarantee success.

For example, Linda Harrison, stationery buyer at Stuarts, the Hopkinton, Mass.-based discount store chain, was "very disappointed" with the sell-through of Mickey Mouse products two years ago during Mickey's 60th birthday celebration.

Harrison said Stuarts basic customer is "not fashion-forward and is not willing to pay the extra 10 cents for a colored portfolio much less 50 cents for Mickey Mouse."

However, the Disney characters sell very well in the greeting card department where the same customer will spend the money for the character cards and gift wrap.

Although Stuarts, like many other chains, is avoiding characters that are too trendy or faddish, a certain amount of risk is necessary to keep the business fresh. Harrison said she will soon test a small number of novelty products in posters with the "New Kids On The Block" musical group.

At Hills Department Stores, Canton, Mass., licensed properties perform a little better than they do at Stuarts. But Ted Wyman, divisional merchandise manager, is still cautious about the number of licenses he uses and, like Harrison at Stuarts, is careful about which products he selects for licenses.

Licensed goods represent a significant part of the stationery business at Hills, Wyman said, noting that it will never be more than 10 percent to 15 percent of total sales.

Licensing could be stronger at retail, said Wyman, if the licensers work together to devise moveable mini departments encompassing all of their licensed products.

For example, last year Wyman set up his own Disney display complete with soft goods, toys, and other hard goods at the front of the store. The special three-week program did very well, Wyman said. And the effect of the display was so strong because it showed continuity across merchandise lines. The concept could, in Wyman's estimation, curtail the number of "flashes in the pan" and create more reliable sellers out of mediocre ones.

Wyman plans to do a similar licensing promotion this year, although he has not yet chosen a license.

As important as licensed goods are to retailers, they are even more important to the manufacturers who create them since they must devise programs that appeal to a wide range of customers.

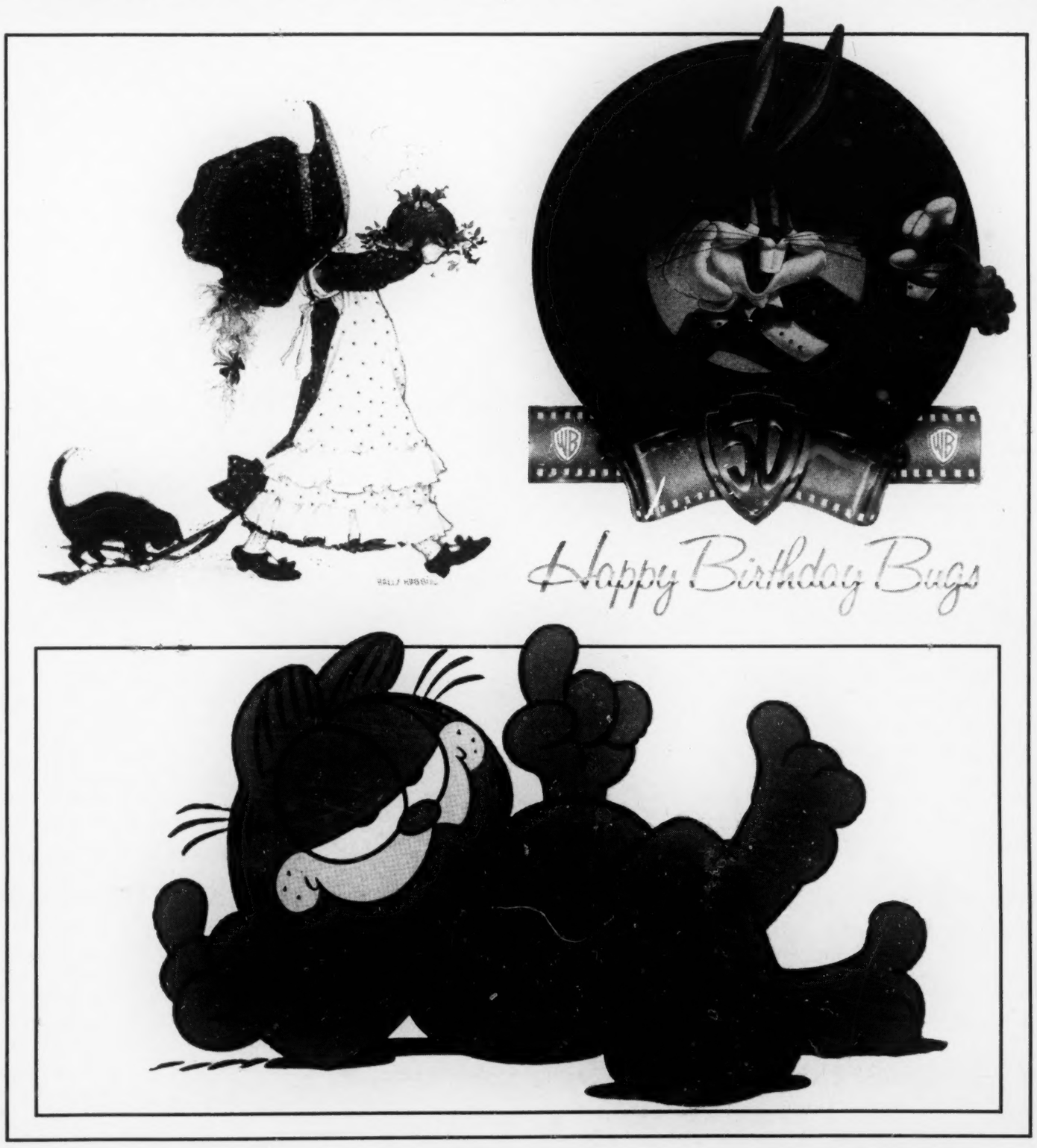
Licensed properties account for approximately 10 percent of a company's total program, sources report. Choosing correctly is imperative since licensing is a relatively expensive endeavor. The upside is great, obviously. The downside is painful.

Internal Development

Licensed properties are brought about in one of two ways: from established characters or themes already in the media; or developed internally and then sold to various companies for a wide range of products. Obviously, internal development is the cheap way to go but not all companies are positioned to create all of their own designs or characters.

Bringing on licensed properties translates into dollars and cents for upfront costs, guaranteed minimums, expenses associated with artwork, royalty fees and inventory investment.

Therefore, a greater number of companies than ever before are concentrating on the classic characters and banking on their staying power.



Among the many new releases this year is Holly Hobbie by American Greetings, Paddington Bear, Tom and Jerry cartoon characters, the Little Golden Book Land characters by Sangamon, and Alvin and the Chipmunks by Ambassador. Also at Ambassador, Star Trek and Disney's Winnie the Pooh are scheduled to be launched in 1991, explained Susan Meek, manager of licensing acquisitions for Hallmark Properties, which is the licensing arm for Hallmark and Ambassador.

Unlike most other companies, Hallmark Properties isn't looking for a licensed program weighted to the classics. Instead, both Hallmark and Ambassador are interested in a more balanced approach of fad to classic characters, the percentage of which varies by the year and consumer needs, explained Meek.

Classics Thrust of 1990s

Licenses heavily geared to classic characters is the 1990 thrust at Gibson, Sangamon, and American Greetings.

Gibson, which holds the licenses to the standard Disney characters, Sesame Street, Muppets, Hanna-Barbera characters, and Roger Rabbit, among many others, is trying to balance its licensed properties to include a mix of well-known characters and some "smaller ones," said Greg Ionna, vp, marketing.

"You don't necessarily have to be the most recognized characters to be successful and just because they are doesn't mean they'll be successful," he said noting that Gibson does well with the Golden Girls characters, Matchbox, and Off the Leash, among others.

American Greetings, which started with Ziggy in the 1960s and is about to relaunch Holly Hobbie—first released in 1967—has experienced tremendous success with internally developed characters such as Care Bears and Strawberry Shortcake through its Those Characters From Cleveland subsidiary.

Mead and Stuart Hall, stationery manufacturers with strong back-to-school businesses, report they too are concentrating on the classic characters.

In 1990, Mead will show a greater interest in licensed properties, said Mark Rexroad, product development manager for the Dayton, Ohio-based company. Mead is introducing Looney Tunes characters at the Back-To-School Show including Bugs Bunny and Tweetie Bird, and concentrating a lot of energy on its own internally generated program, Super Shades.

At Stuart Hall, Lisa Frank, the artist and designer, will be spotlighted as will Sesame Street and Holly Hobbie, said Charles Hanson, chairman.

Stuart Hall is particularly careful about the licenses it offers, Hanson said, noting that the stationery manufacturer consults color groups, apparel vendors, and magazines, and conducts focus groups "to be sure everyone is on target."

Apparently, the hard work paid off for Stuart Hall. Licensing grew from 3 percent to 9 percent of its total business last year, and sales increased 450 percent.

Licensing: Name of the Game in Toys

(Continued from page 45)

Toy licensing falls into two general categories: basic standbys such as Disney and Sesame Street; and topical properties, such as Batman and Ghostbusters.

Toy Biz holds the Batman license through 1990, when Kenner takes it over. The big question is whether Batman will still be hot when the movie sequel, "Batman II" comes out sometime after 1990.

Kenner did well with Ghostbuster II action figures last year, and will reportedly introduce a line of Beetlejuice figures, based on the movie and Saturday TV cartoon series, at the Toy Fair.

Beetlejuice was sort of Ghostbusters in reverse, featuring ghosts devising ways to eject real people from a house.

Showing the wide variety of licensing schemes, Toys "R" Us has an exclusive line of toys licensed from the teen flick, "Back to the Future II", starring Michael J. Fox. The line includes a $150 ride-in toy car based on the movie's DeLorean sports car that serves as the time machine.

Banking on 'Robocop II'

Indicating the power of licensing, Kenner confirmed it sold roughly $100 million worth of Robocop products last year and is banking on another strong surge when the movie sequel, "Robocop II", is released in June.

Disney hopes to make a splash with toys licensed from "The Little Mermaid" and already has signed licensing deals with Tyco and Western Publishing.

Sports and corporate licensing have become more popular while Saturday morning licensed toy cartoon shows have declined and are not as strong as they once were.

A number of licensing properties are celebrating 50-year anniversaries, such as "Gone With the Wind", "The Wizard of Oz", Bugs Bunny, Tom & Jerry and Bozo the Clown, presenting further opportunities this year.

Basic staple properties, such as Disney, Sesame Street and Bugs Bunny, are doing "exceptionally well," said Murray Altchuler, executive director of the Licensing Industry Merchandisers' Association.

Sports licensing, a relatively new category, has "absolutely exploded," Altchuler said, including toys.

Kenner, for example, makes a line of professional football action figures decked out in team uniforms and logos, Altchuler said.

Kids can choose from among hundreds of action figures based on professional football, baseball, basketball and hockey players, he said.

Corporate licensing is a category "that has shown the most dramatic expansion in the licensing industry," Altchuler said.

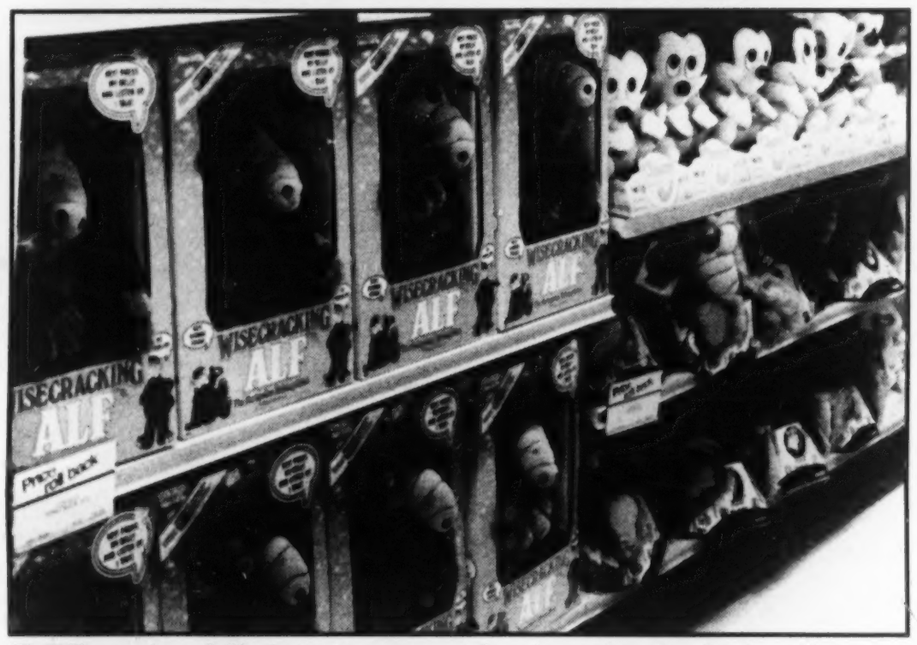
In toys, an example would be a tanker truck that carries the Hess Oil or Texaco flag, he said.

Saturday mornings licensed toy cartoon shows have declined and are not as strong a factor as they once were, he said. "It's an up and down situation," Altchuler said.

"A lot of animated stuff has gone off the air as the TV market fractured under the competition of cable and video." But a "lot of noise" has been made about the decline, he said, that isn't entirely accurate.

"Toys have always been closely associated with licensing," he said. "Toys were the pioneers."

The first licensed product of modern times was a Howdy Doody doll, he said.



Toy licensing falls into two general categories: *basic standbys and topical properties.* (DSN photo)

Will Dick Tracy Nab Merchandising Niche?

(Continued from page 45)

a variety of Dick Tracy designs "will be time-released throughout spring . . . to generate ongoing momentum leading up to the movie's June 1990 release." The all-cotton heavyweight garments are available for spring delivery.

In addition, there are two other big summer movie sequels that have potential to generate big licensed sales in apparel—"Gremlins II" and "Robocop II."

But it will undoubtedly be up to Dick Tracy to break the lock that Nintendo/Super Mario Bros., of the electronic game, and Teenage Mutant Ninja Turtles, the popular comic book and cartoon characters, have on the all-important boys' sizes 8 to 20.

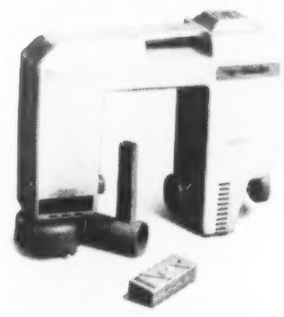
While "Batman" is still a force in that category, Nintendo and Teenage Mutant Ninja Turtles are proving to have more staying power. It's difficult for a movie—basically a one-time "event"—to generate strong sales beyond a couple of seasons. "Batman" got a bit of a holiday lift when the videocassette was released in mid-November, an unprecedentedly short five months after opening in theaters.

On the other hand, licensed apparel from very popular games like Nintendo, which is always releasing new software, and cartoon characters like Ninja Turtles, with new episodes every Saturday morning, allows a continual freshening of the licensed product name, keeping it in front of the young consumer.

Apparel is the single largest category of licensed products. According to *The Licensing Letter*, retailers sold $22.93 billion worth of licensed apparel, or 35.5 percent of all licensing.

Licensed apparel from games like Nintendo, *which is always releasing new software, keeps it fresh in young consumer's minds.* (DSN photo)

Find out what's creating all the stir.



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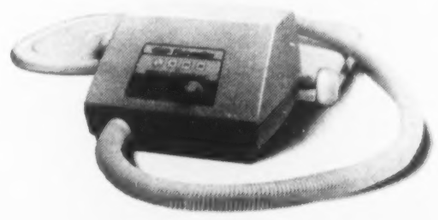

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Apparel Off-Pricers Benefit From Campeau's Fiscal Woes

(Continued from page 1)

Consumers were asking themselves, "why shop at Marshalls?" when department stores were offering deep and broad discounts, often with an extra 25 percent off for private charge card customers, Goldstein said during a meeting held by Montgomery Securities last month in New York.

Department store promotions had a "definite impact on Marshalls" and other off-pricers, Goldstein said. "We could almost smell a difficult fourth quarter," he said.

Buyers were ordered to be more cautious about buying from bottom-tier vendors, whose goods always are available, Goldstein told *DSN*.

At the same time, Marshalls took advantage of the availability of merchandise from top-brand vendors that chain had been trying to buy from for years, he said.

Moreover, Marshalls was able to stockpile merchandise at especially sharp prices for new store openings in the first half of 1990. The availability of better quality goods continues to increase, he said.

In response to department store promos, T.J. Maxx launched for the first time Christmas promotions of its own, chairman Ben Cammarata told the security analysts. "Department stores were giving away merchandise."

The T.J. Maxx promos included a 25 percent off sweater sale, a costume jewelry promo at $6.99 and a red tag sale of merchandise priced at half the usual T.J. Maxx price.

T.J. Maxx maintained its margins, however, because the merchandise either was specially purchased or already scheduled for automatic markdowns, Cammarata said.

Department store promotions hurt chains such as Dress Barn and Hit or Miss (owned by T.J. Maxx parent TJX Cos.) more than it did Marshalls or T.J. Maxx, Cammarata said. Hit or Miss had to take larger than planned markdowns in December and January, he said.

Henry Jacobs, chairman and ceo of Spartansburg, S.C.-based One Price Clothing Stores, said following the Campeau bankruptcy filing that current merchandise surpluses may begin to dry up.

"Vendors know where they stand now," Jacobs said. One Price was able to obtain better quality garments to offer at its single price of $6.

NBO president and ceo Gene Kosack said that his men's apparel chain now is able to buy seven or eight designer labels "that we have wanted to buy for 10 years.

"Vendors now see that it's to their advantage to do business with us," Kosack said.

NBO can buy for as much as 40 percent to 50 percent below wholesale, whereas the normal range is 15 percent to 25 percent, he said. Campeau's problems are not solved, just postponed, Kosack said. When vendors realize that, they will make even more merchandise available to off-pricers, he said.

In December and January, Burlington Coat was getting merchandise at some "amazing prices" as much as 50 percent below line, instead of 25 percent, an outerwear buyer said. The market was "sort of desperate," the buyer said.

Campeau's problems also enabled Burlington Coat to move up in quality of merchandise, including many designer labels, the buyer said.

But the buyer was unable to predict how long the chain's "good fortune" will last.

MedClub, MedChoice Flourish in California

(Continued from page 3)

Despite this overwhelming percentage, Morgan said it is still necessary to have the store locations, as the company has found its customers do like to come in periodically and actually see and compare the products offered.

Although the two chains started off in separate parts of the state, they began butting heads in the same market last October. Within a period of a few days, MedClub opened a unit in Van Nuys, Calif., and MedChoice opened in Woodland Hills, Calif., at opposite ends of the San Fernando Valley in Los Angeles.

Since opening their first locations, both companies have made some changes in their mix, with more emphasis now falling on the dental profession at both chains. In this area, MedChoice is somewhat stronger with its very extensive offering, particularly in dental instruments.

MedClub has taken a stand in office food/drink supplies like coffee, plastic cups, soda and juices, while MedChoice has skipped this category. MedChoice, on the other hand, is much deeper in the apparel department.

Both chains started out with a relatively traditional warehouse appearance, but have made some changes. MedClub initially began with a 60,000-square-foot site in San Diego, but has since scaled this back to 45,000 square feet, and will probably eventually drop to 35,000 square feet, said advertising vp Tom Flynn. The company's Van Nuys site opened at 30,000 square feet.

While MedClub still retains its warehouse atmosphere, MedChoice's changes have softened the club's appearance. Although the 18,000-square-foot size has remained constant, the newer locations are more store-like, with tile floors, fluorescent lighting and narrower aisles. Traditional H-frame warehouse racks are used as the primary fixtures, but traditional shelving is also used throughout much of the store. Pallets and bulk merchandising is found, however, above eye level.

MedClub expects to open three to four new sites during the first quarter. The company declined to disclose the locations of the new stores.

MedChoice anticipates opening nine locations this year in both existing and new markets, including some outside of California, Morgan said. Its five-year plan calls for some 50 stores to be in operation throughout the country.

Sears Stands Behind EDLP Policy

(Continued from page 2)

come under fire recently via various media reports casting doubt about the staying power of EDLP, suggesting that Sears will abandon its less than year-old policy and return to sales promotions.

Sears spokeswoman Kathy Guzfa stressed that Sears is committed to EDLP and will not abandon it. Recent ads on brand selection and customer satisfaction should not be construed to mean Sears is backing away from EDLP.

Everyday low prices was advertised heavily when Sears first announced the change but now that the pricing policy is almost a year old Sears doesn't want to "keep pounding out the same message," said Guzfa.

"We want to focus on other reasons for coming to Sears such as brand names and customer satisfaction. Just because we're not always talking about everyday low prices doesn't mean we're backing away from it. We can't focus all of our marketing effort on everyday low prices," she said, adding that EDLP will still be promoted.

Luria Plans Additional Jewelry Stores

(Continued from page 3)

its mix. The cataloger projects sales will increase 5 percent this year and that it will maintain the same gross margins and control expenses and inventories. "If we beat our conservative sales projections, 1990 can be a highly profitable year for us," he added.

The three new showrooms will actually be a net gain of one store as two units are replacements for older units in declining strip centers. Overall, Luria expected to have 75 to 80 showrooms by the turn of the century, a net increase of 25 to 30 units. In the 1980s, Luria grew from 16 showrooms to 51, a gain of 35 units.

The jewelry specialty stores will continue to be spotted in fashion malls. The cataloger has had some difficulties obtaining mall sites due to opposition from other jewelry retailers that didn't want to compete against Luria's prices. The situation has changed, he said, as mall owners, concerned about problems with failing retailers, have become more receptive to merchants like Luria.

Besides opening jewelry specialty stores, Luria last year switched to a commission salary for jewelry salesclerks in its showrooms. The move provided better service to customers and also resulted in the sales of $10,000 and higher merchandise, Peter Luria said.

Luria projects a $2 million to $2.5 million capital budget this year for the new stores and other capital expenditures.

Voss Moves Over to Staples

(Continued from page 3)

potential growth and its similarities to Wal-Mart, he said.

"They were the originators and the leaders of the office supply superstores. The management of the company executes well and has an excellent focus on the business: Management is extremely astute with what they want to do in the retail field," he said.

When Voss joined Wal-Mart in February 1975, Wal-Mart had annual sales of about $240 million, $40 million more than Staples' yearly sales right now.

In both cases, Voss started from "scratch" with endless potential for growth, an attractive and challenging position for him, he said.

Staples created the executive vp, sales and merchandising position six months ago and looked for a person with "relevant experience," explained Todd Krasnow, vp of marketing at Staples, noting that Staples sought a person with experience at a low-cost, highly efficient retail operation. Voss was always at the top of the list, he added.

In Voss, Staples landed an executive who has the experience of building a retail chain into a billion dollar operation; a man with the know-how to drive down costs and of finding more and better ways to deal with vendors. It was also important for Staples to find an executive who believes in the efficiencies and value of central distribution, said Stemberg.

Bush, Compton Resign From Key Positions at Rose's

(Continued from page 1)

opened 47 stores in Rose's markets during 1986 and another 26 stores in 1987. Half of Rose's stores are in North and South Carolina; Wal-Mart now operates 71 Wal-Mart and six Sam's Wholesale in these two states alone.

The chain devoted much of 1988 and 1989 to digging in its heels against market invasions. By the end of 1988, roughly 40 percent of the merchandising staff had been changed, including the general merchandise managers over soft lines and hard lines and four out of nine divisional merchandise managers.

The company started 1989 by defining focus departments considered to be high sales and profit generators, such as stationery, seasonal goods and jewelry. At the same time, the advertising approach was sharpened and specific category themes were featured, replacing what had been an omnibus approach.

Shortly after the new merchandising direction was established—and these departments were showing double-digit gains on a comparable store basis—Rose's lost its senior vp of merchandising for the second time in as many years. Robert Floum left to head Big Wheel; a year earlier John Little, now at Consolidated Stores, had held that post. Tony Cincotta, formerly of Stuarts, a New England regional discount chain, now holds the top merchandising post.

Store prototypes that draw attention to the focus categories were unveiled in the cities of Waldorf, Md., and Wake Forest, N.C., during the second half of last year. Sales results at these prototype stores are outpacing those at other chain stores, but the rollout, if it is to continue, will be slow.

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Glosser to Exit Ch. 11?

Buyout Hinges on Creditor Approval

By Richard C. Halverson

JOHNSTOWN, Pa. — Glosser Bros. could emerge from Chapter 11 bankruptcy by mid-April, with a new owner, Schottenstein Stores, if . . . .

And, Columbus, Ohio-based Schottenstein Stores could increase its presence in the East, picking up 17 Gee Bee discount stores and 18 Dollar Bargain closeout stores, if . . . .

The if: Glosser's creditors must agree to accept 55 cents on the dollar for $65 million to $70 million in trade and bank debts. That is the essence of a bankruptcy judge's decision last month to submit Schottenstein's buyout proposal for a creditors' vote.

If the deal goes through, Gee Bee and Dollar Bargain would continue to operate under their own names under the same management, said Glosser Bros. president Tom Zurilla. They would follow the same merchandising strategy—continuity goods for Gee Bee and closeouts for Dollar Bargain.

Terms of the Glosser Bros. agreement call for Schottenstein to pay 55 cents on the dollar to settle trade and bank creditor claims, as well as assume $6 million in secured debt. The closeouter would also pay any priority claims that surface before the deal closes.

Schottenstein would pay no cash to existing Glosser Bros. stockholders, Zurilla said. In exchange for their stock, they will receive a 10 percent stake in a new entity to be called Gee Bee Stores, he said. Zurilla said he would become president of the new corporation.

The creditor committee, which includes VF (Lee jeans) and Sunbeam, recommended approval, said William Schorling, a Pittsburgh lawyer representing the committee.

"It would be unusual for creditors to do anything other than take the recommendation of the committee," said Schorling, a partner in the firm of Klett, Lieber, Rooney and Schorling.

Officials of Schottenstein, including chairman Jerome Schottenstein, were unavailable for comment on their plans for Gee Bee. Dollar Bargain would be a natural fit for expansion of Schottenstein's wholesale and retail closeout operations.

Creditors have until March 16 to return their ballots, Zurilla said, and a bankruptcy judge has set a hearing for March 23 to consider their decision. If creditors approve, and the judge confirms their

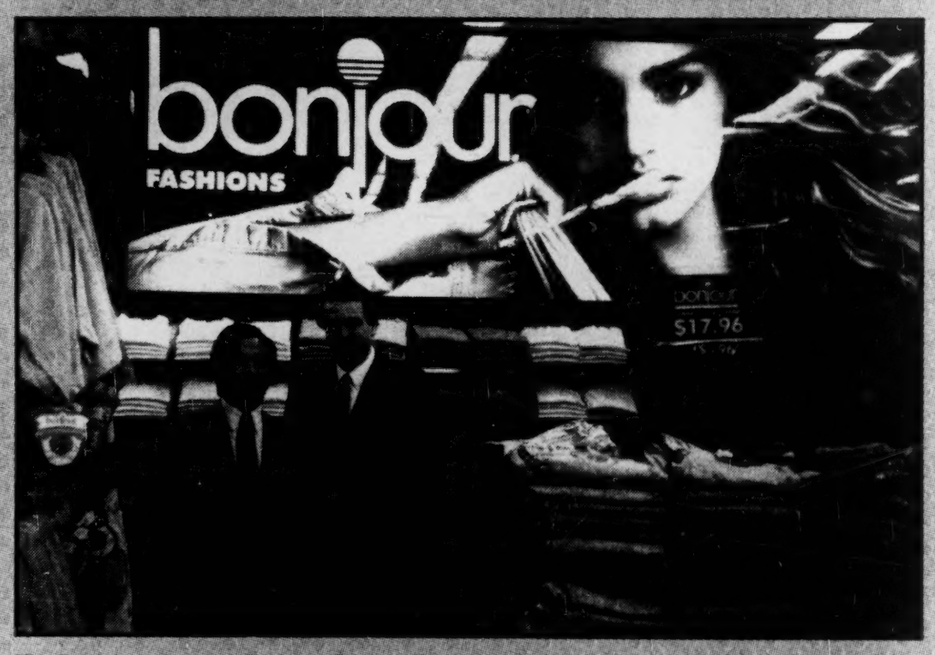
(Continued on page 119)

New Wal-Mart Vendor Store Among 36 Opened on Same Day

By Don Longo

CHARLOTTE, N.C. — Sometimes even an act of God can't stop the Wal-Mart juggernaut.

After being delayed by problems due to the destruction and upheaval wrought by Hurricane Hugo last fall, the second Wal-Mart "vendor store" opened here Jan. 31, just one month behind schedule.



***Wal-Mart denim buyer Steve Seto** and Bonjour president Charles Dayan expect big things at vendor store in Charlotte, N.C.* (DSN photo)

The vendor store—an experiment in which the discounter employs new ideas on merchandise display and fixturing suggested by its vendors—was one of 36 Wal-Marts to open in a geographical sweep from Arizona to Florida on the last day of the retailer's fiscal year.

David Glass, president and chief executive officer, told store associates, visiting headquarters executives and participating vendors gathered at the store—located in an upscale neighborhood just south of Charlotte's city limits—that the grand openings represent the largest number of Wal-Marts ever opened on a single day, topping the previous high of 24 opened exactly one year ago.

Wal-Mart unveiled its first vendor store about six months ago, a 110,000-square-foot unit in the tiny town of Janesville, Wis. "We've learned a lot from Janesville," said Glass. "We've incorporated here sort of a correction of errors."

The new 110,000-square-foot vendor store "should be renamed the Customer

(Continued on page 6)

Shakeout in Office Supply Segment Looms

Office Stop Enters Already Crowded Megastore Field

By Pete Hisey

TOWSON, Md. — "Industry shakeout? We plan to cause it."

With that volley, Thomas Klimback, president and ceo of the latest entry in the already crowded office superstore market, introduced the first of a projected 75 northeastern Office Stop office warehouses.

The company's 30,000-square-foot prototype, which opened in late January in this Baltimore suburb, will be joined in May by a unit in Westbury, Long Island.

Klimback's confidence is based on the successful track record of Office Stop's man-

(Continued on page 120)

***The Office Stop management lineup:** chairman Frank Denny, ceo Thomas Klimback, exec vp Frank Powers, senior vp, finance Jean Carlyle and senior vp, operations Larry Haven.* (DSN photo)

OfficeMax, Office World to Merge Into One Chain

By Laura Liebeck

SOLON, Ohio — OfficeMax, based here, and Office World, Great Neck, N.Y., last month agreed to merge their two office supply superstore chains under the OfficeMax name, becoming the first major consolidation story in the young industry segment.

Specific terms of the agreement were not released. However, OfficeMax president Michael Feuer said, "When the deal closes we'll have no debt." He did not elaborate.

In addition to the merger announcement, Feuer said OfficeMax was completing a $5 million private placement, the company's fourth in 18

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MARKETWATCH

K mart Invests in Technology, DCs

TROY, Mich. — K mart last month made major investments in advanced technology and improved merchandise distribution. The discounter ordered 1,000 Unisys Series 6000 computers and Intel i486 multi-processor systems as an upgrade for its K mart Information Network, now dubbed KIN II. K mart said the upgrade will provide its store personnel with capabilities that allow them to better serve customers and reduce expenses. These include advanced ordering systems, enhanced layaway operations, extended in-store inventory analysis and expedited cash handling. K mart also purchased a 90-acre site in Greensboro, N.C., on which it will build a new distribution center to serve 194 area K mart stores. The new facility, expected to total 1.5 million square feet, will be completed by 1991. K mart is also constructing a DC in Ocala, Fla.

Wal-Mart Sells dot Drug Store Division

LENEXA, Kan. — Wal-Mart has sold its 14-unit dot discount drug stores to existing dot management for an undisclosed amount. The newly formed Dot Drug Stores Inc. is headed by Ron Benjamin, president, who estimated that 1990 sales will reach $100 million. "Wal-Mart built the dot business around the pharmacy services," said Benjamin in a company statement. All dot stores, ranging between 20,000 square feet and 25,000 square feet, have full-service pharmacies. While Wal-Mart would not comment on either the sale price nor the reason for selling the division, it was widely known that the company had anticipated a higher return on investment for the dot division.

Hills Makes Plans for $400 Million Loan

CANTON, Mass. — Hills plans to borrow up to $400 million for working capital over the next five years from Taiyo Kobe Bank, Tokyo. The final agreement with the Japanese bank, expected to be signed by the end of March, will replace Hills' $240 million working capital agreement with Bankers Trust Company. The chain said it turned to Taiyo because it offered better terms for long-range financing than Hills could obtain in the United States. The deal represents a business-banking relationship, Hills said, and not a Japanese equity investment.

Service Gets Set to Reduce Debt Load

NASHVILLE, Tenn. — Service Merchandise, acting to reduce the debt from last year's $600 million recapitalization, plans to use "excess cash flow" next month to prepay about $35 million of a term loan used to fund the final restructuring. The disclosure came as the catalogeer reported a 6.9 percent boost in sales last year but a 5.9 percent earnings dip due to increased operating costs and interest expenses. Sales in the fiscal year ended Dec. 30, 1989, went to $3.3 billion from $3.1 billion, while earnings slipped to $72 million from $76.5 million.

Sears to Test Auto Centers in Japan

CHICAGO — Sears will test automotive service centers in Japan later this year. The centers, called Tires Plus, are the result of a joint venture between Sears and Japanese retail, real estate and financial concern Saison Group. Three units will open this year in three towns within 100 miles of Tokyo. Tires Plus will provide battery installation, quick lubes, air conditioning service, car wash and, of course, tire changing and alignment.

Tons of Toys Discusses Acquisition

WAREHAM, Mass. — Tons of Toys, a 23-unit toy specialty chain forced into involuntary Chapter 11 bankruptcy last month, is talking to Karl's Toys, Los Angeles, as well as to an unidentified investor group, about being acquired. Last fall, creditors initially attempted to force Tons of Toys into Chapter 7, or dissolution, bankruptcy. Karl's operates 28 stores, while Tons of Toys, already has closed one unit, will shut another by the end of the month and likely will close three more, for a reduced store count of 18.

The Wholesale Club Opens 27th Unit

INDIANAPOLIS — The Wholesale Club plans to open unit No. 27 this fall in Niles, Ohio, its ninth warehouse club in the Buckeye State. The Wholesale Club, which now has 23 units, is expected to open clubs in Menominee Falls, Wis., near Milwaukee, and Greenwood, Ind., near Indianapolis, this spring, and one in Racine, Wis., this summer.

Ward's Brennan Cites Challenges Facing All Retailers in the 1990s

By Pete Hisey

LAS VEGAS, Nev. — It was a great week for Montgomery Ward chairman Bernard Brennan. As the keynote speaker at the Consumer Electronics Show held here this month, he was a hit with CE retailers and suppliers. Less than a week later, at the annual convention of the National Retail Merchants Association, Ward's adaptation to everyday low pricing was held up as a textbook success story by a panel of Harvard Business School retail experts and industry consultants.

Bernard Brennan

At CES, Brennan noted that the consumer of the 1990s will demand, more than ever, specialization, value and service from retailers—a direct progression from a blueprint created in the 1980s.

The 1980s were marked by five distinct trends, Brennan commented, including the rise of specialty retailers, the growth of discounters in small-ticket electronics, increased competition throughout the entire retail industry, the emergence of a new generation of entrepreneurs and leadership, and the availability of investment cash due to deregulation.

"Prosperity, however, brings along the risk of complacency, hubris and sometimes greed," Brennan said. "We enter the '90s facing substantial challenges." Among those will be a difficult economy, a "vastly" overstored country and little product innovation in the near term.

"A major factor that will affect the '90s is the graying of the consumer base," he added. "This change in demographics to an older population is developing the concept of cocooning—that is, spending a great deal of time in one's home."

That should increase the market for "home theater" systems, but it will also increase the need for more sophisticated products that are easier to use and service.

Retailers must adapt to succeed in the market of the last decade of the 20th century, Brennan said. First, they must become low-cost providers to compete with efficient superstores. They must also train and excite their sales force, and increase service both during and after the sale. Retailers must invest

(Continued on page 119)

Good Guys to Invade Los Angeles

CE Retailer Reports Whopping Same Store Sales Increases

SAN FRANCISCO — The Good Guys, the consumer electronics specialty chain based here, reported sales rocketed 49 percent to $87.4 million during its fiscal first quarter ended Dec. 31, 1989. More impressive, same store sales increased 25 percent.

In addition to reporting record increases, The Good Guys announced a major expansion into the Los Angeles market, where it will meet Silo and Circuit City, among others. (The chain currently operates 22 stores; most are in the San Francisco market).

According to company chairman and president Ronald A. Unkefer, The Good Guys will open between 10 and 12 units in Los Angeles over the next two years.

"Los Angeles is the home of the entertainment industry and the largest consumer electronics market in the country," he said. "Having firmly established our leadership position against strong national competition in Northern California, our entry into the Southern California market is a logical next step for us."

Most L.A. Good Guys stores will be located in upscale neighborhoods.

The Good Guys operates 22 stores in the San Francisco and Reno, Nev., markets with more stores planned for this year.

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EDITORIAL

Promotions Make Sense for Discounters

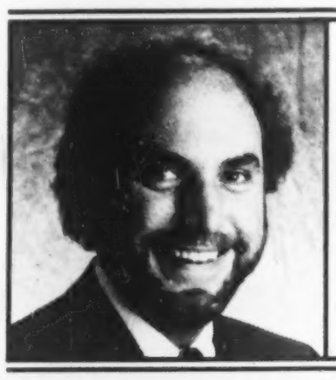
"February is double coupon month," proclaimed the front page of Bradlees' recent circular, which showed a collage of dozens of name brand candy, household and H&BA products.

"Big deal?" you say. "Why do discounters continue to promote such 'low-margin' items?" "Why do they continue to add sku's in food, non-perishables, etc."

Well, this method of using double coupons and name brand products as traffic builders is still viable. Believe it or not, it still works.

In fact, candy, hair/personal care, and household paper products are the top three traffic builder products, according to *DSN*'s exclusive Traffic Builders Study, conducted by Chicago-based research firm Leo J. Shapiro & Associates. The 4th annual study is based on interviews with almost 2,300 shoppers from seven markets. There is a wealth of useful information in the study, which will be published in its entirety in *DSN*'s February 26 issue.

- Top traffic builder brands;
- Top traffic builder categories;
- Percent of discount department store shoppers who knew of a sale before visiting the store;
- Percent of those shoppers that made a purchase;
- Percent of shoppers who are not frequent customers.



TONY LISANTI
Editor

Associate editor Mary Ellen Kelly, who was assigned the Traffic Builders project, has spent several weeks interpreting the results of the study. "Discounters continue to get more bang for the buck in terms of their ad dollars, when compared with other retailers surveyed," observed Kelly. "Department stores, for example, advertised more often but fewer customers bought anything, and those that did make a purchase spent less on promoted items in 1989 than in the previous two years."

I believe this trend of promoting name brand candy and household products will continue. In fact, I've said it before and I'll say it again: food will become the most important traffic builder for discounters in the 1990s.

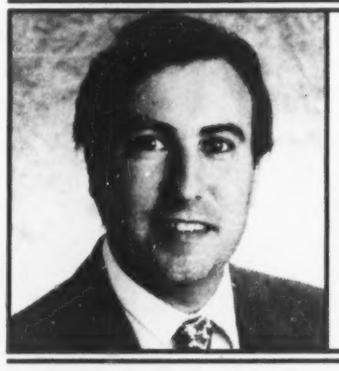
BUYERS & SELLERS

Getting the Goods on Who Imports More

So who imports more merchandise, K mart or Wal-Mart?

In an article on Wal-Mart's Buy American program (*DSN*, Dec. 18, 1989), *DSN* pointed out that while the retailer has reduced imports by about 5 percent over the last four years, about 25 percent to 30 percent of everything Wal-Mart sells originates from overseas. Analysts we talked to estimated that those percentages represent about twice as much as what K mart imports.

That published comment drew a reaction from Wal-Mart's corporate and public affairs director Don Shinkle. He pointed out that Wal-Mart's own research shows that K mart actually imports quite a bit more than the Bentonville retailer. Using 1989 Bond for Duty Payments as his yardstick, Shinkle said K mart paid $124 million compared to Wal-Mart's $44 million, indicating, to Wal-Mart at least, that K mart imported nearly three times as much overseas merchandise.



DON LONGO
Exec Editor

However, deciding which retailer is the larger importer of goods isn't as clear-cut as Shinkle says.

Mike Schmitz, legal counsel for the U.S. Customs Dept., told *DSN* associate editor Richard Halverson that Bond for Duty Payments aren't comparable to overall dollar value of merchandise imported. For example, one retailer may be negotiating a better deal with a bonding company or may pay less on bond premiums for the same value of goods. Also, bond premiums paid might not be parallel with actual duties paid, if one importer deals with countries with low duty rates and another with goods from a country with high-duty rates.

The only true figure that would settle the matter is volume of goods imported. But, Schmitz said customs can't disclose those figures under federal law.

Citing the confidentiality of such figures, a K mart spokesman wasn't much help in clarifying the situation. He did say imports are trending down at K mart, but refused to get into a debate about which chain is the larger importer of goods.

DSN inadvertently muddled the matter further by its report in the Dec. 18th Wal-Mart issue.

At this point, I'm willing to concede Shinkle's point that Wal-Mart does not import as much merchandise as K mart. After all, K mart is bigger than Wal-Mart and generates more total sales. It stands to reason that the total value of its imported merchandise would be greater.

But, the truer measure of each retailer's commitment to buy American is what percentage of total sales is imported goods. Since both K mart and Wal-Mart have a positive story to tell in this area, it would be great public relations for each chain to reveal this figure. How about it? Who goes first?

WASHINGTON REPORT

Ruling on Fair Trade Leaves a Foul Taste

During the darkest days of the Great Depression desperate businessmen pressured equally desperate government officials to try some radical maneuvers aimed at keeping the foundering economy afloat.

One of the more regrettable of those experiments in marketplace manipulation was "Fair Trade"—a sweet-sounding euphemism for legalized resale price maintenance.

Fair Trade began falling out of favor as discount stores became a factor in the marketplace during the '50s and '60s, and by the mid-1970s Congress repealed the antitrust law exemptions that allowed legalized resale price fixing.

However, for the past six years the U.S. Supreme Court has been steadily chipping away at the existing legal barriers to Fair Trade-style resale price maintenance. Last month a new decision may have delivered the coup de grace.

That case involved a drug chain's battle against a New Jersey law prohibiting "premiums or rebates" in connection with the sale of drugs. The chain, Consumer Value Stores, advertised a temporary price cut on prescription medicines and was promptly charged with violating the state law.

A New Jersey judge ruled in favor of CVS and struck down the anti-discounting law as unconstitutional. But that decision was reversed, setting the stage for a final showdown before the U.S. Supreme Court. Unfortunately it never took place. The high court refused to hear the chain's appeal and New Jersey's ban on price-cutting remains on the books.

KEN RANKIN

Here's the problem: the New Jersey ruling concluded that states have a right to adopt laws designed to serve the public health, safety or welfare, even if they are clearly anti-competitive. Indeed, the Jersey court held that such statutes should be sustained if they have "any conceivable rational purpose."

Given that much of a judicial loophole, the advocates of Fair Trade should be able to concoct a justification for state restrictions on price competition in all retail fields.

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We welcome our readers' views, whether pro or con. Letters to the editor should be addressed to: Editor, *Discount Store News*, 425 Park Ave., New York, NY 10022.

DSN Stock Index: Modest Growth Caps Volatile '80s

By Neil Nordby
Special to DSN

Stocking up was for the icy veined in the aftermath of Black Monday. But for those who did, they were handsomely rewarded in 1989.

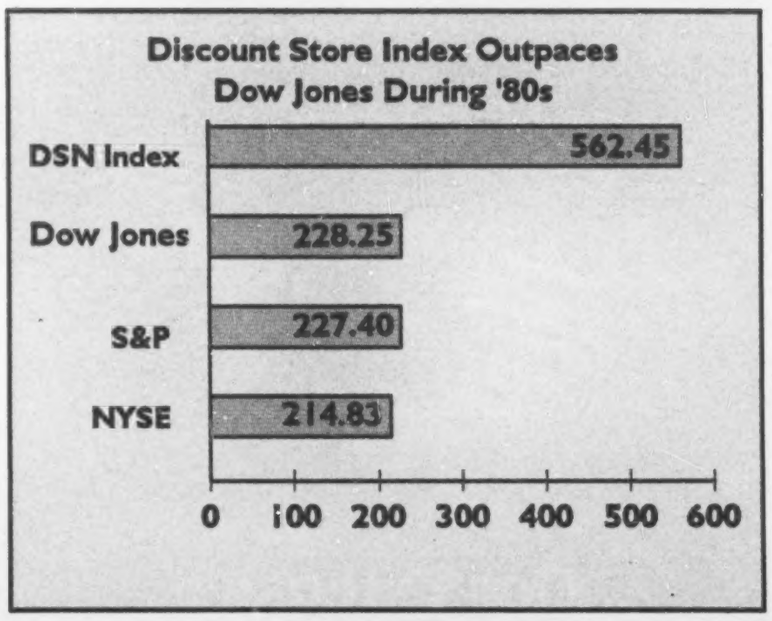
And investors in the discount store field certainly had their share of racing pulses last year, as the year-to-date trajectory of Costco (not to mention a rash of takeover targets including Pace Membership Warehouse) can attest.

For many discount store shareholders, 1989 was a mixed bag. For example, while Costco was the leader of the pack with a 122.05 percent advance, in stark contrast stood S.E. Nichols, which cascaded 72.41 percent to $1 a share.

The bottom line: the *Discount Store News* Index lagged behind its widely monitored brethren in 1989 (the Dow Jones industrial average and S&P 500), as it posted a 178.94 point, 12.63 percent advance en route to a close of 1595.77.

In contrast, the advance of the Dow Jones was considerably more dramatic. In 1989, the Dow Jones flexed its muscles like never before, catapulting 584.63 points, or 26.96 percent, to 2753.20.

In similar fashion, the S&P 500 displayed its own fireworks, forging ahead 75.68 points, or 27.25 percent, to finish at 353.40—its third-largest percentage gain in the last 30 years.



Why did the *Discount Store News* Stock Index lag the national competition last year?

Much of the blame can be pointed at disappointing sales results for many retailers, which prompted shareholders to unload their shares. Among some of the walking wounded in this sector at quarter, year and decade-end include:

- Highland Superstores (down 40.35 percent on disappointing sales);
- Ames Department Stores (down 25.9 percent amid losses from indigestion of Zayre last year);
- S.E. Nichols (down 72.4 percent and the largest percentage loser of the lot);
- Stuarts Department Stores (down 45.45 percent to $2.25).

All of these chains experienced disappointing sales and/or cash flow problems at one time or another throughout the year.

But not all was grim last year. Let's take a look at some 1989s stellar performers:

Largest dollar-gainer: This honor went to Dayton Hudson, as investors continued to add this retailer to their portfolios in the wake of unsuccessful takeovers for the firm in 1988.

It hasn't hurt that D-H's dominant operation, Target, is one of the two top perform-

(Continued on page 23)

Major Indexes

	Close 12/31/79	Close 12/30/88	Close 12/29/89	Net Change In Decade	Percent Change In Decade	Net Change In Year	Percent Change In Year
Discount Store Index	240.89	1416.83	1595.77	1354.88	562.45	178.94	12.63
Dow Jones Industrial Average	838.74	2168.57	2753.20	1914.46	228.25	584.63	26.96
Standard & Poor's 500-Stock Index	107.94	277.72	353.40	245.46	227.40	75.68	27.25
N.Y.S.E. Composite	61.95	156.26	195.04	133.09	214.83	38.78	24.82

Source: Nordby International Inc., Boulder, Colo.

Discount Industry Chain Stock Analysis Table

Exch	Company	Ticker Symbol	Closing Price 12/31/79	Closing Price 12/30/88	Closing Price 12/29/89	Net Change In Decade	Percent Change In Decade	Net Change In Year	Percent Change In Year	Earnings /Share PE Ratio	Last 12 Mos.	Annual Dividend Rate	Annual Dividend Yield	52-Week High	52-Week Low
NYS	Alexander's	ALX	6.38	67.50	55.50	49.13	770.59	−12.00	− 17.78	24	2.32	0.00	0.00	71.75	50.25
NYS	Ames Dept. Stores	ADD	1.69	14.00	10.38	8.68	512.46	− 3.63	− 25.89	− 29	−0.36	0.08	0.77	20.00	8.75
OTC	W. Bell	BLLW	3.17	5.50	4.00	0.83	26.18	− 1.50	− 27.27	67	0.06	0.00	0.00	5.88	3.25
NYS	Best Buy	BBY	NA	8.38	6.00	—	—	− 2.38	− 28.36	86	0.07	0.00	0.00	11.50	5.63
OTC	Brendle's	BRDL	NA	5.63	7.75	—	—	2.13	37.78	−129	−0.06	0.00	0.00	8.63	5.50
NYS	Burlington Coat	BCF	NA	17.13	24.63	—	—	7.50	43.80	18	1.39	0.00	0.00	24.63	16.75
OTC	Child World	CWLD	NA	14.50	12.38	—	—	− 2.13	− 14.66	17	0.74	0.00	0.00	19.75	11.50
NYS	Circuit City Stores	CC	0.26	17.69	21.75	21.49	8265.38	4.06	22.96	14	1.59	0.08	0.37	27.00	17.38
NYS	Consolidated Stores	CNS	NA	6.50	3.88	—	—	− 2.63	− 40.38	15	0.26	0.00	0.00	8.38	3.50
OTC	Costco	COST	NA	15.88	35.25	—	—	19.38	122.05	34	1.04	0.00	0.00	35.25	15.75
NYS	CUC Int'l	CU	NA	17.50	14.50	—	—	− 3.00	− 17.14	− 11	−1.28	0.00	0.00	20.75	10.50
NYS	Dayton Hudson	DH	10.59	39.63	63.63	53.03	500.58	24.00	60.57	15	4.37	1.12	1.76	67.00	38.75
OTC	Dollar General	DOLR	3.37	9.00	10.38	7.01	208.32	1.38	15.28	17	0.61	0.20	1.93	12.75	8.38
NYS	Family Dollar	FDO	1.89	13.75	10.63	8.74	462.47	− 3.13	− 22.73	14	0.78	0.36	3.39	14.13	9.75
OTC	50-Off Stores	FOFF	NA	2.19	4.50	—	—	2.31	105.67	10	0.45	0.00	0.00	6.63	1.75
OTC	Fretter	FTTR	NA	4.63	3.38	—	—	− 1.25	− 27.03	42	0.08	0.00	0.00	6.38	2.88
ASE	Greenman Bros.	GMN	0.58	4.38	5.88	5.30	919.97	1.50	34.29	16	0.36	0.00	0.00	8.38	4.25
OTC	Highland Superstores	HIGH	NA	7.13	4.25	—	—	− 2.88	− 40.35	− 15	−0.29	0.00	0.00	7.88	3.75
NYS	Hills	HDS	NA	8.13	5.25	—	—	− 2.88	− 35.38	− 29	−0.18	0.00	0.00	9.88	5.25
ASE	Home Shopping Net.	HSN	NA	4.50	7.25	—	—	2.75	61.11	− 45	−0.16	0.00	0.00	7.63	3.00
OTC	HQ Office Supply	HQOSA	NA	2.22	4.81	—	—	2.59	116.90	− 6	− 0.81	0.00	0.00	7.00	2.00
NYS	Jamesway	JMY	NA	8.63	6.38	—	—	− 2.25	− 26.09	18	0.36	0.08	1.25	12.25	6.13
NYS	K mart	KM	15.83	35.13	35.00	19.17	121.07	− 0.13	− 0.36	10	3.67	1.64	4.69	44.88	32.50
NYS	Kroger	KR	NA	8.88	14.75	—	—	5.88	66.20	− 8	− 1.87	0.00	0.00	19.75	8.38
ASE	Lionel Corp.	LIO	NA	4.88	5.00	—	—	0.13	2.56	45	0.11	0.00	0.00	8.50	4.50
ASE	L. Luria & Son	LUR	5.89	11.13	9.50	3.61	61.40	− 1.63	− 14.61	15	0.62	0.00	0.00	11.63	9.00
OTC	Luskins	LUSK	NA	1.63	1.50	—	—	− 0.13	− 7.69	− 12	−0.13	0.00	0.00	2.88	1.25
NYS	May Dept. Stores	MA	8.00	36.25	47.88	39.88	498.51	11.63	32.07	14	3.37	1.40	2.92	52.63	34.63
NYS	Melville Corp.	MES	6.88	37.19	44.63	37.75	549.09	7.44	20.00	14	3.29	1.28	2.87	53.63	36.13
OTC	Meyer (Fred)	MEYR	NA	16.13	18.50	—	—	2.38	14.73	15	1.27	0.00	0.00	23.00	15.63
ASE	Newmark & Lewis	NLI	NA	3.75	3.75	—	—	0.00	0.00	16	0.23	0.00	0.00	7.50	3.50
ASE	Nichols (S.E.)	NCL	2.96	3.63	1.00	−1.96	−66.16	− 2.63	− 72.41	0	−2.87	0.00	0.00	4.25	0.88
OTC	Office Club	OCLB	NA	9.44	13.63	—	—	4.19	44.36	47	0.29	0.00	0.00	17.00	8.75
OTC	Office Depot	ODEP	NA	10.71	18.00	—	—	7.29	68.10	58	0.31	0.00	0.00	27.25	10.50
OTC	Oshman's Sport Goods	OSHM	7.50	15.00	9.50	2.00	26.67	− 5.50	− 36.67	37	0.26	0.20	2.11	20.00	8.75
NYS	Pep Boys	PBY	0.77	12.13	11.88	11.10	1434.24	− 0.25	− 2.06	18	0.66	0.08	0.67	17.25	10.50
OTC	Pic 'n Save	PICN	2.24	12.25	13.13	10.89	487.25	0.88	7.14	12	1.11	0.00	0.00	18.88	11.25
OTC	Price Company	PCLB	NA	37.50	46.25	—	—	8.75	23.33	20	2.36	0.00	0.00	49.50	34.75
OTC	QVC Network	QVCN	NA	8.50	16.50	—	—	8.00	94.12	35	0.47	0.40	2.42	21.25	8.00
OTC	Ross's Stores (cl a)	RSTO	1.36	7.75	6.13	4.76	350.04	− 1.63	− 20.97	15	0.42	0.16	2.61	10.00	6.00
OTC	Ross's Stores (cl b)	RSTOB	1.28	7.63	6.38	5.10	399.22	− 1.25	− 16.39	15	0.42	0.16	2.51	9.75	5.88
OTC	Ross Stores	ROST	NA	10.50	14.25	—	—	3.75	35.71	11	1.26	0.00	0.00	24.63	10.13
NYS	Sears	S	18.00	40.88	38.13	20.13	111.81	− 2.75	− 6.73	13	2.89	2.00	5.25	48.13	36.50
NYS	Service Merchandise	SME	4.54	11.92	9.38	4.83	106.45	− 2.54	− 21.32	6	1.55	0.04	0.43	13.00	6.50
OTC	Strawbridge & Cloth.	STRWA	4.57	30.37	33.00	28.43	622.10	2.63	8.66	11	3.12	1.08	3.27	40.25	29.50
OTC	Stuarts Dept. Store	STUS	NA	4.13	2.25	—	—	− 1.88	− 45.45	− 38	−0.06	0.00	0.00	4.88	1.88
NYS	Super Valu Stores	SVU	5.97	24.50	29.00	23.03	385.84	4.50	18.37	15	1.89	0.60	2.07	30.13	22.63
NYS	Syms	SYM	NA	10.38	11.88	—	—	1.50	14.46	11	1.09	0.00	0.00	14.00	10.13
NYS	TJX Cos.	TJX	NA	NA	15.38	—	—	—	—	13	1.14	0.40	2.60	30.13	13.88
NYS	Toys "R" Us	TOY	1.68	24.75	35.88	34.20	2041.79	11.13	44.96	25	1.41	0.00	0.00	40.25	24.00
NYS	U.S. Shoe	USR	2.98	24.75	20.13	17.15	575.56	− 4.63	− 18.69	18	1.14	0.44	2.19	27.50	16.38
NYS	Weban	WBN	NA	NA	12.00	—	—	—	—	13	0.96	0.00	0.00	20.00	10.00
NYS	Wal-Mart Stores	WMT	1.09	31.38	44.88	43.79	4032.14	13.50	43.03	26	1.72	0.20	0.45	44.88	30.00
OTC	Warehouse Club	WCLB	NA	1.63	2.88	—	—	1.25	76.92	72	0.04	0.00	0.00	5.00	1.63
OTC	Wholesale Club	WHLS	NA	7.75	15.50	—	—	7.75	100.00	27	0.58	0.00	0.00	16.63	7.38
OTC	Wisconsin Toys	WTOY	NA	8.25	12.50	—	—	4.25	51.52	20	0.61	0.00	0.00	11.50	8.00
NYS	Woolworth	Z	12.56	51.75	63.88	51.31	408.44	12.13	23.43	14	4.61	1.88	2.94	72.25	48.38

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. (cl a) = Class A stock. (cl b) = Class B stock.
Source: Nordby International Inc., Boulder, Colo.

Discounters Poised to Exploit Growing Crafts Craze

By Mary Ellen Kelly
Nationwide DSN Report

Crafts are emerging as the next home fashion-oriented category primed to be exploited by mass merchants.

The close link of craft projects with home and apparel fashions gives the category the appeal of these kindred departments: high gross margins.

Craft projects like wearable art (such as sweatshirt painting), hook rugs and quilt-making are among high mark-up projects driving sales.

While knitting yarn sales are flat and home sewing sales continue to fall, a renewed interest in craft projects is spawning a breed of specialty store that blends the best of yarns, fabrics and crafts.

Wal-Mart, Ames and Jamesway are among only a handful of other major discounters who have made a major investment in this category which is dominated by variety and specialty stores.

Morgan Miller, president of New York-based manufacturer, National Yarn Crafts and president of the Craft Yarn Council of America, said his company has, "doubled business since last year, primarily due to a great resurgence of latch hook rug kit sales."

Miller anticipates a 35 percent sales gain during 1990. "There has been a resurgence in the whole craft business. K mart tested a section of hook rug kits last year then went chainwide with it. Retailers in general are devoting more space to the business," he said.

Bill Johnson, merchandise manager from frame manufacturer Intercraft Industries, Taylor, Texas, noted "Our business to the craft industry has been growing recently. I foresee that in the near future it could represent over 10 percent of our business." The frame shops in some craft stores run as large as 90 feet, he pointed out.

Susan Brandt, director of communications for Hobby Industries of America, said frames are especially important to the craft business. "They may be called craft stores, but a good number of them are also frame shops."

Four categories of craft retailers are evolving due to changes in the craft market as well as retailing in general:

- Specialty stores that sell a combination of crafts, framing supplies and silk flowers are gaining momentum, as are chains like Frank's Nursery & Crafts, a division of Stamford, Conn.-based General Host, that couple craft merchandise with home garden supplies. While craft specialty stores are most prevalent in the Southeast and South Central states, the rebirth of interest in crafts makes other parts of the country ripe for expansion, retailers said;
- Some discounters are taking advantage of renewed consumer interest in crafts and the current lack of retail competition by opening enlarged departments or even freestanding craft stores;
- Variety store retailers whose primary business has been inundated with discount store competitors are looking to craft-only stores where competition is low and profits are high;
- The downtrend in home sewing sales have led chain and independent fabric stores to devote more and more of store space to crafts merchandise.

Joe Mishkin, president of one of the country's top notions and crafts suppliers, EZ International, Carlstadt, N.J., said the shift toward craft sales in fabric stores has resulted in a similar shift in new product efforts.

"The home sewing and craft businesses are melding together . . . We've been looking into items that overlap between these two previously separate retail groups."

Products geared toward this new breed of sewing/craft retailer are already being shipped. Among these "crossover" items are quilting supplies. EZ has created a 4-foot section of quilting supplies to merchandise the 70-sku it manufactures.

"Home sewing business has been down 10 percent each year for awhile; over the last 10 years sales have dropped by a third," Mishkin estimated. "The craft business, on the other hand, has been up by more than 10 percent and continues to climb."

Variety store operator and general merchandise/craft wholesaler Ben Franklin is one of several variety store chains taking an aggressive approach to craft retailing. The company has already converted 178 of its 1,100 variety store franchises into craft stores and will open some of its first company-owned craft outlets this year in Indiana, and possibly the East Coast.

Dale Ward, president and chief executive officer of Ben Franklin, said, "We're very confident about the craft industry . . . We've hardly had to spend a dime of advertising to our franchisees because people know there is more profitability and opportunity in the craft market [than in variety store sales]," Ward said.

Ben Franklin spent over $1 million in consumer research to discover the long-term viability of the craft market. "What is causing the craft market to grow is the quality of life issue," Ward said. "People want to give personal gifts and feel creative. We've also had a large number of women say this is where they go to enjoy themselves."

Winns is another example of a variety store retailer diverting more of its resources to craft store growth. The company, like Ben Franklin, has converted some of its weaker variety stores to craft-only units. In 1988, the company operated 235 stores—20 craft and 215 variety. By year-end, the company expects to have at least 43 craft stores in operation, partly due to the conversion of its variety units.

Tom Draves, Jamesway merchandise manager, said the Secaucus, N.J.-based discounter is currently testing craft departments as large as 120 feet in 10 stores. The usual size of the department is between 40 feet and 80 feet. Whether or not the enlarged craft department will be rolled out to additional stores was being discussed at presstime. The enlarged crafts department are defined by a department canopy, Draves said.

"The craft business is pretty healthy, especially apparel painting and miniatures . . . We think it could become more profitable," he said.

Ames, Rocky Hill, Conn., which had launched a separate crafts chain about two years ago, will be opening Crafts & More leased departments in over 80 of the 149 Ames full-line discount store remodels slated for 1990, bringing the total to about 105. Four more freestanding Crafts & More locations will be opening for a total of 17 by year-end. Pittsburgh is one market targeted for Crafts & More expansion.

In this craft-oriented retail environment, even fabrics are selling "exceptionally well," according to David Muensterman, vice president, general manager of Ames' Crafts & More division.

The typical crafts shopper is the ultimate target for impulse, promotional and destination purchases, based on retailer and vendor observations as well as a study sponsored by the Hobbies Industries of America.

Shopping frequency is high, partly because shopping for crafts is recreational. The customer—almost exclusively female—often goes to the store without having a definite item or price in mind, and is receptive to new products. While service is important, breadth of selection is paramount. Selection is even more important than price.

Discounters Dominant Outlet for Most Craft Supplies

Craft	Discount Store	Craft/Hobby Store	Other Specialty Store	Craft Chain Store	Other Store*
Needlecrafts (U.B. 50%)	34	21	13	13	16
Candy Making/Cake Decorating (U.B. 16%)	15	12	21	7	33
Painting/Drawing (U.B. 15%)	21	36	13	4	15
Decorative Painting/ Stenciling (U.B. 11%)	22	40	9	10	10
Silk Flowers/Making, Arranging (U.B. 9%)	30	28	11	9	12
Macrame (U.B. 8%)	32	37	7	10	7
Doll Making (U.B. 6%)	26	18	11	18	20
Paper Cutting Crafts (U.B. 6%)	40	23	4	7	16
Beading/Bead Crafts (U.B. 5%)	17	38	6	11	16

U.B. = User Base: Percent of 6,372 person population who actively participates in the craft listed.
*Other Stores: Department stores, mail-order catalogs and other supply houses.
Source: Hobby Industry of America, "HIA Nationwide Consumer Study" 1988. Entire chart not shown.

Top 5 Specialty Crafts Chains

Chain	No. of Stores 1989	1990
Ben Franklin, Carol Stream, Ill.	178	238
Michaels, Irving, Texas	121	141
Lee Wards Creative Crafts, Elgin, Ill.	70	NA
Old America Stores, Howe, Texas	41	NA
Winns, San Antonio, Texas	38	43

DSN Research NA — not available.

New Styles Expected to Pad Healthy Bath Scale Sales

Nationwide DSN Report

Manufacturers and retailers of bath scales are weighing in with double-digit sales gains as consumer concern over health and fitness continues.

Consumers' attention to daily diet and exercise regiments has made the obligatory bath scale an essential tool for gauging physical health. And this new vantage point has raised the price ceiling on lines that guarantee accuracy and can be easily read.

Latching onto the booming home office specialty store market, several major scale vendors are also launching scales geared to home office applications like weighing parcels and envelopes.

Mike Phillips, buyer with Home of Economy, a five-unit chain based in Grand Forks, N.D., projected scale sales to rise by 10 percent to 15 percent during 1990, on top of a healthy 17 percent gain last year. "Scales are an area where we have a nice steady increase, but it will probably start to slow down due to market saturation. The sales trend is definitely toward better quality models," he said.

(Continued on page 84)

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fic Builders Survey—page 35

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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Sports Authority Plans Major Northeast Thrust

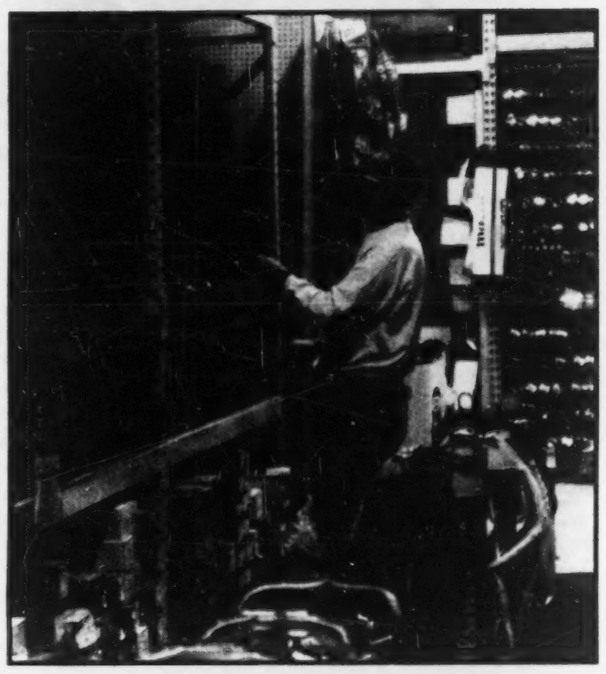
By Richard Halverson

FORT LAUDERDALE, Fla. — Having turned its first quarterly profit, The Sports Authority, now two years old, is expanding beyond its Sun Belt base.

Now operating eight sporting goods megastores, Sports Authority plans to open its first unit in the Northeast this summer. The 40,000-square-foot unit is located in the metro Philadelphia market in Deptford Township, N.J. In addition, Sports Authority plans to open three more units in Philadelphia by summer's end, said president Jack Smith.

Smith declined to reveal the exact locations until it closes on the sites. But one will be within Philadelphia city limits, he said.

Of eight existing units, seven are in Florida: Fort Lauderdale, North Miami, Tampa Bay, Brandon, Clearwater, Orlando and Jacksonville. The other is in the Potomac Mills Mall in Woodbridge, Va., near Washington, D.C.



Sports Authority, Clearwater, Fla.: *Given its Sun Belt base, golf is a major category and still will be as the chain moves north.* (DSN photo)

As part of the 10-store expansion program for 1990, Sports Authority also plans to open two more in Florida, two more in the Washington, D.C. area, including one in Tysons Corner, Va., two in Baltimore, as well as the four in Philadelphia.

Not that Sports Authority is turning its back on the Sun Belt. The retailer plans to open one store in Las Vegas and three in Phoenix this spring.

"We always intended to be a Sun Belt company," Smith said. "We had to modify our philosophy for the Northeast expansion."

A Sports Authority unit with 40,000 sku's needs a population base of 400,000 to 500,000 people to support it, Smith said. The retailer is rapidly covering all the Florida bases.

(Continued on page 78)

Super Show Preview—p. 3

At Stuarts new headquarters: *Dave Ferguson, sr vp, operations; Joe Ettore, president; and Earl Spokane, sr vp, finance.* (DSN photo)

New Stuarts Management Overhauls Stodgy Image

By Tony Lisanti

FRANKLIN, Mass. — The metamorphosis of Stuarts from an old-line, stodgy discounter to a more contemporary, aggressive retailer has begun.

Last month, the 23-store regional chain moved into a more spacious headquarters and distribution center. Last week, Stuarts' new advertising/marketing plan was unveiled with its Washington's Birthday circular. Next month, a new radio campaign will debut, scanning will begin in a pilot store, and the chain will host its top vendors in a special open house.

For new president Joe Ettore, formerly a top merchan-

(Continued on page 76)

IMRA Moves Headquarters to D.C.

Washington's Growing Influence Triggers Consolidation

By Richard Hersh
IMRA President
Special to DSN

Sometime early this summer, the International Mass Retail Association will close the doors of its office at 570 Seventh Avenue in New York City for the last time and relocate the office to Washington, D.C. This consolidation will permit our program staff and government relations staff to work even closer and with more efficiency.

This is not a trend which is unusual. More and more trade associations and business organizations have come to the realization that in order to be in close contact with their new "partners" . . . the government . . . they must be in Washington.

It is also indicative of the emphasis that has been placed on the legislative arena by the

Richard Hersh

IMRA Board of Directors and the members of the association. The number of issues which we cover increases with each session of Congress.

Since the opening of our Washington office six years ago, the staff has tripled and the budget for the Washington office has increased at an even greater pace. The board voted in January to combine the two offices for greater efficiencies so that our government affairs function can relate more directly to the other IMRA activities in the areas of conferences, conventions and publications.

Our new expanded office will give us the opportunity to work more closely and in a more coordinated effort. The new structure will give us an ability to even better represent our unique membership through the kind of interaction which will permit all of our employees to be cognizant of IMRA's array of services.

Some of the employees which you have come to know and respect in the New York office will not be able to move with us to Washington and that is the one area of sadness which we face. Over the years,

(Continued on page 78)

Target Halts EDLP Test; Returns to Promo Method

By Pamela Meek

MINNEAPOLIS — Target Stores has ended its everyday low pricing test that encompassed approximately 50 stores in the Southeast, Oregon and central Michigan. The units, most of which had been testing the concept since last spring, are now being converted to the chain's traditional sales-oriented marketing tack.

Target first tested EDLP about 18 months ago when it introduced the policy to four stores in Albuquerque, N.M., and Knoxville, Tenn. The 407-store Minneapolis-based chain then expanded the EDLP experiment last spring when it opened 30 former Gold Circle and Richway stores that it had purchased in the Southeast. The policy was also extended to new stores opened last year in Oregon and central Michigan.

During the pure EDLP test, Target continued to use a circular program, but instead of advertising "sale" items, the chain focused on featured

(Continued on page 78)

MARKETWATCH

All Makros Change to Pace by June

AURORA, Colo. — K mart is expected to complete the conversion of the nine Makros into Pace wholesale clubs by June. The Makros will remain open during the conversions, which are scheduled to occur as follows: March, Toledo, Ohio; April, Cleveland (2), Flint, Mich., Hartford, Conn.; May, Cincinnati, and June, Washington, Philadelphia and Baltimore. The conversions will boost Pace's count to 56 stores.

Wal-Mart, Sam's to Team Up in Pa.

HARRISBURG, Pa. — Wal-Mart plans to pair a 112,238-square-foot discount store with a separate 109,398-square-foot Sam's Wholesale Club in the proposed Swatara Crossing shopping center in Swatara Township, outside Harrisburg, Pa., reported *The Patriot Ledger.* If plans for the center are approved by local officials this month, the discount store will be Wal-Mart's first of several units planned in this Middle Atlantic state.

Venture Sales Rise 4.7% to $1.34B in '89

ST. LOUIS — Venture sales for the 52 weeks ended Jan. 27 rose 4.7 percent to $1.34 billion from $1.28 billion a year earlier, May Department Stores Company reported. Same store sales for the period gained 2.9 percent. For the four weeks ended Jan. 27, sales rose 1.9 percent to $70.9 million from $69.5 million in the same span of 1989. Same store sales for the four weeks dipped 0.1 percent. As announced, May intends to spin off Venture to May stockholders sometime this spring, and, accordingly, is treating Venture as a discontinued operation.

Court OKs TSS Lease to Home Depot

NEW YORK — TSS, the Brooklyn-based discount chain currently liquidating under Chapter 11, received bankruptcy court approval to sell the lease of its store in Elmont, N.Y., to Home Depot, the warehouse home center chain, for $10 million, $1 million less than the original deal (see *DSN*, Feb. 12, page 6) agreed to last month. Under the new deal, Home Depot will pay a higher rent to the landlord on the 235,000-square-foot unit in western Nassau County (Long Island). A number of retailers, including K mart, Caldor and Costco, are reportedly interested in several of TSS' remaining sites.

Provigo Sells Canadian Catalog Chain

MARKHAM, Ontario — International Semi-Tech Microelectronics and Berjaya Corp. (Malaysia) have formed a joint venture that acquired Consumers Distributing (Canada) from Provigo, with Semi-Tech managing the $750 million (Canadian) catalog showroom chain. Semi-Tech's Hong Kong subsidiary, Semi-Tech Microelectronics (Far East) owns Consumers Distributing (U.S.), having purchased the Edison, N.J.-based cataloger in May 1988 from Provigo.

Paysaver Closes Three Mass. Stores

HOLYOKE, Mass. — Paysaver will exit the catalog showroom business at the end of the month when it closes its three Massachusetts stores. Heavy competition from malls, some of which house Service Merchandise showrooms, were cited as the reasons for Paysaver's closing.

QVC Sells C.O.M.B. Mail-Order Biz

WEST CHESTER, Pa. — Teleshopper QVC has sold the C.O.M.B. mail-order business it acquired along with Cable Value Network last fall to Minneapolis-based Damark International. The sales price of $24 million includes inventory, goodwill, computer systems and software—but not C.O.M.B.'s retail stores. CVN was originally an outgrowth of C.O.M.B., but quickly passed it in sales.

Hold It! Offers Bridal Registry

ST. PAUL, Minn. — Hold It!, a two-unit organizer specialty chain, is now providing computerized bridal registry, for newlyweds who hope to begin their new life together in an orderly fashion. Marv Krichmar, general manager of the start-up firm, said at least five stores will be open in the Twin Cities region by year-end. He also noted he plans to offer franchised units and go public within five years. The stores have 20 departments such as closet, workroom and office organizers. The store also offers in-store and in-home consulting and product installation.

Successful Fresh Foods Test Just Whets Costco's Appetite

By Pamela Meek

BELLEVUE, Wash. — Declaring its test of fresh food departments a success, Costco Wholesale Club president Jim Sinegal said the chain plans to roll out the new department to all its stores by the end of 1991.

Sinegal, speaking at the company's annual meeting here last month, said the fresh foods have helped increase customer visits and ticket totals. Not only is the selection a value to club members, he said, but it has also proven to be a profitable endeavor for the company.

Costco has been testing the departments—which include fresh meat and produce, a deli and bakery—since 1987. To compensate for the added selection, Costco's locations with fresh foods were enlarged from 100,000 square feet to about 120,000 square feet.

Currently, the firm operates 62 warehouses and expects to have 68 units in operation by the end of fiscal 1990 in August. Sinegal said the chain should have fresh foods in 55 of those 68 locations. This ratio is a significant rise over a year ago when at the close of fiscal 1989, only 29 of Costco's 56 warehouses had fresh foods.

Besides stepping up its fresh food rollout, Costco is also expanding its optical centers and pharmacies. At the close of fiscal 1989 the chain had 27 pharmacies and six optical centers. By the end of fiscal 1990, Costco expects to increase these numbers to 40 and 13, respectively.

Sinegal said the company is also continuing to upgrade and increase its selection of jewelry, books and videos, apparel and CE. Despite this product increase of some 100 sku's, chairman Jeff Brotman said the company's total sku's have gone from about 3,500 sku's to around 3,400 sku's because the overall assortment has been refined and narrowed.

A test expansion into car sales, however, has been ended. During the past year Sinegal said five Puget Sound warehouse clubs sold Hondas, but because the manufacturer was not happy with the pricing, Costco has ceased selling cars.

Sinegal said Costco is now poised to take its warehouse clubs to the Northeast, with the first units expected to open in the fall of this year. Although Costco could not yet specify actual sites, Sinegal said the company plans clubs in Connecticut, Massachusetts and New York.

To help with its initial entry into the new market, the company has devoted a separate management team, headed by senior vp of operations Franz Lazarus, to the move.

Costco also just completed a public stock offering that netted some $95 million. Brotman said these proceeds will help the chain grow in the Northeast and elsewhere, as well as allow the firm to buy outright new and existing real estate sites of its stores. Although the company at one time leased most of its locations, Brotman said that by year-end Costco should own the real estate at close to 40 of its warehouses.

Fast-Growing Bill's Sets Store-Within-Supermarket

JACKSON, Miss. — Bill's Dollar Stores, kicking off a campaign to grow to as many as 1,000 stores over the next three to five years, will open a store next month in a unique location: in the midst of a warehouse-style supermarket.

The dollar discount store chain operator based here has entered into an agreement with a local grocery store, Sack and Save, to put a 5,000-square-foot Bill's Dollar Store into the heart of a 55,000-square-foot food store.

The food store's higher traffic level is expected to double current volume per square foot for Bill's, explained Fulton Stokes, president of the 504-unit Bill's chain. "Sack and Save's traffic count in a week is more than ours is in three months," Stokes noted.

The chain will open its first store-within-a-supermarket in Meridian, Miss., March 1; additional combo stores are being considered.

"We have talked about others. We anticipate after three months we can determine whether or not this is something we will pursue," said Charles Acklen, executive vice president. "We've discussed three other possible locations."

A canopy around the Bill's area will define the discount store; no walls separate the two retailers. Both names will appear on the storefront.

In addition to this new venture, Bill's is planning to open between 70 to 75 stores during 1990 including its first units in South Carolina and stores near the Mexican border in Texas. Bill's plans to operate a total of 1,000 units within the next three to five years.

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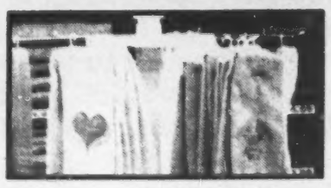

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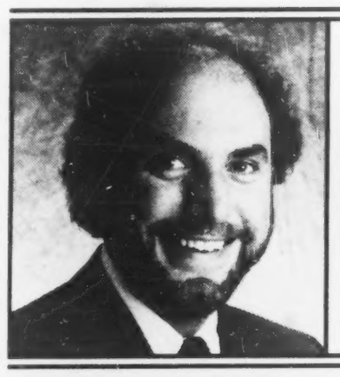
EDITORIAL

The Six R's: Survival By Any Other Name

Call it differentiation, repositioning, restructuring, or revitalization. It doesn't matter what you call it. What does matter is that you recognize its symptoms and do something about it.

It refers to a stagnant business that is struggling to survive in a mature marketplace.



TONY LISANTI
Editor

At the consulting firm of Booz, Allen & Hamilton, vp Barbara Cohen calls it revitalization. "It means much more than new fixtures and fresh paint," she explains. "It may well involve changing nearly every aspect of a store and store operations. Stimulating sales is not enough. The result must be much better bottom line performance."

Cohen says there are "six R's of revitalization—six interrelated levers that must be pulled in concert."

- Refocus on the consumer insuring that merchandise and services give them a compelling reason to shop at your store.
- Restructure the network to capitalize on existing value and gain economic advantage.
- Redesign the physical concept.
- Revamp the business systems.
- Reach out to customers and raise awareness, get them in the door, and encourage them to buy.
- Recognize the need for critical mass to achieve competitive economics and visibility in the market.

Among the companies Cohen believes are "pulling the six levers of revitalization" are Montgomery Ward, Pier I, A&P, and Sizzler, a restaurant chain.

Another company I would like to add to that list is Stuarts, a 23-store discounter based in New England.

New president Joe Ettore, however, calls it differentiation. And Joe probably doesn't care what you call it, so long as it works. The important fact is that this young executive has recognized the need for change. He has begun implementing a plan to turnaround an old, venerable chain that cannot survive in today's retail environment with yesterday's ideology (see story, page 1).

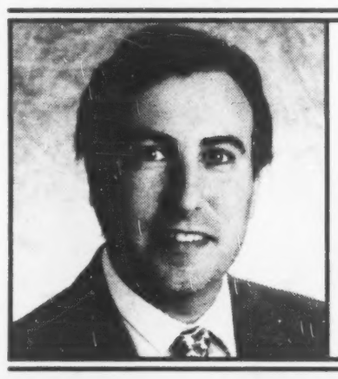
There are many other retailers in a similar position to Stuarts. Discount retailing will never be the same. The time is right to develop a growth plan, whether you call it revitalization or differentiation the result is survival.

BUYERS & SELLERS

Grandstanding Does Disservice to Environment

Walking through a supermarket recently, I saw no-cholesterol cookies, "healthy" potato chips and "lite" cupcakes and mayonnaise. In fact, I saw many, many items that I never dreamed were "good" (or at least "not bad" as their packaging seemed to proclaim) for me.

Then, I noticed that many of the products that I thought were new products because of their packaging were not really new; just the same old products that their makers only recently discovered were good for you (or not as bad as you used to think they were). Add to these products the scores of others trying to take advantage of the oat bran craze, and I found myself leaving the store with a bad taste in my mouth—and it wasn't from the oat bran.



DON LONGO
Exec Editor

Now, an all-too-similar scenario appears to be developing over the environmental issue.

Retailers are benefiting from positive publicity for asking their suppliers to make products and packaging less harmful to the environment. Several manufacturers are promoting their products as degradable or recyclable. Others have launched marketing promotions aimed at raising awareness of environmental issues. These are all good things.

But, as some "green" marketers begin to make outlandish ecological claims, there is a potential for a consumer backlash that will not only affect those products, but will create skepticism toward the entire environmental movement. Already, several environmental organizations have called for a nationwide consumer boycott of so-called "degradable" plastic bags. Their chief complaint: no standards of degradability have been established, thereby allowing degradability to be defined solely by the manufacturer. Such a backlash would be a shame because there's a genuine desire on the part of many of the companies to really do something to protect this planet for future generations.

"It may have begun as a response to consumer opinion, but our people believe in it on a one-to-one basis. It's very real when you think about your own grandchildren," said Haim Dabah, president of apparel supplier Gitano, when I asked him if Gitano's new environmental marketing promotion is more than just lip service to a hot issue. Dabah is one of several executives—both retailers and suppliers—who appear to have taken the environmental issue personally to heart. Let's hope a genuine, low-key, scientifically sound approach wins out over environmental grandstanding in the 1990s. The stakes are just too high.

WASHINGTON REPORT

Discounters Should Avoid Slotting Fee Deals

For years now, top execs at many of the nation's discount chains have complained of such anti-competitive practices as resale price maintenance conspiracies.

However, discounters and other chain retailers aren't always the victims of marketplace abuse. Too often, I'm afraid, they're the perpetrators of practices that injure competition.

KEN RANKIN

Case in point: major food chains have been demanding steep "slotting fees" from manufacturers of new products. It's a practice that began a few years ago, and now almost all food retailers are imposing such charges.

No wonder, given the potential "rake." Indeed, government critics of the practice say it's not unheard of to charge as much as $70,000 to get a new six-item line of food products on the shelves of just 50 stores. Imagine the cost of launching a new food item nationwide!

One of many objections to slotting fees is that they clearly frustrate marketplace competition. Certainly, the retailer who lacks the market power to demand such kickbacks from his suppliers is at a distinct and unfair disadvantage.

On the manufacturers' end, however, new product slotting fees create even greater competitive problems. They make it increasingly expensive and difficult for fledgling suppliers to introduce new products and compete head-to-head with existing suppliers.

On both sides of the equation, consumers are robbed of the fruits of marketplace competition.

Why write about supermarket industry practices such as "slotting fees" in *DSN*? Two reasons: one, similar charges are already being discussed widely by non-food retailers; and two, Federal antitrusters are likely to blow the lid off the practice soon.

For my money, I'm willing to bet there's a crackdown in the works against slotting charges. My advice to discounters: don't get involved with such schemes.

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TRAFFIC BUILDERS

APPAREL • HOME PRODUCTS • HARD LINES

Discounters Achieve Better Return on Promo Efforts

Promotional activity among discounters declined again last year, but also continued to be more efficient. More shoppers coming to a discount store with a sale item in mind made a purchase last year even though fewer said they were attracted by an advertising promotion.

The fourth annual *DSN* Traffic Builders Survey (pages 35 to 73) also found that:

- The top promotional category was candy, followed by household paper products, hair care, toys and games, household cleaners, and laundry products.
- The biggest gains in promotional activity came in women's apparel and soft goods for the home.
- The biggest declines in promo activity were in kitchen products, automotives aftermarket items and men's wear.

TRAFFIC BUILDERS SURVEY

Discounters Get Better Return on Ads

By Mary Ellen Kelly

Full-line discount department stores continued to be efficiency experts when it comes to building store traffic through merchandise promotions, based on findings from the fourth annual Traffic Builders Survey.

The study, conducted by Chicago-based Leo J. Shapiro & Associates for *DSN*, indicated which merchandise categories were promoted most heavily by discounters and other retailers last fall. Consumer awareness of whether or not a sale was in progress prior to shopping also suggested how much different types of retailers depend upon promotions to draw traffic.

While the general merchandise retail industry as a whole became increasingly dependent on advertising to get shoppers into stores during 1989, discounters advertised less, attracted a higher percentage of customers and saw average tickets hold steady in 1989 compared with last year. Roughly half of all shoppers knew about a sale before going to any of the stores.

Discounters Better Positioned for EDLP

Discounter dependence on promotions to generate store traffic fell for the second consecutive year, despite increased dependence on sales by several of the larger discount chains, such as K mart and Target. Seventy percent of all discount store shoppers were aware of a sale item before visiting the store in 1987. That figure dropped to 64 percent in 1988 and fell down to 56 percent last year.

Meanwhile, the percentage of shoppers who knew of a sale and made a purchase rose to 76 percent. In 1988 and 1987, this level of awareness had been 71 percent and 65 percent, respectively. In other words, consumers are visiting discount stores more often and buying regardless of whether or not there is a sale.

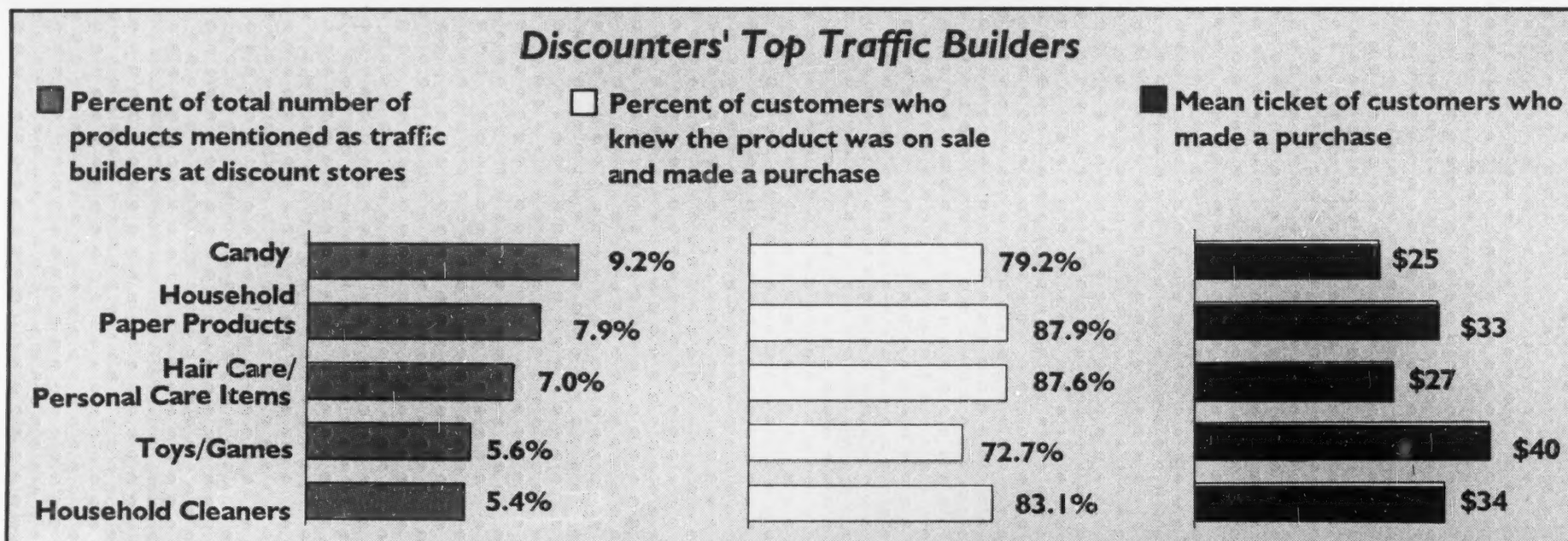
Wal-Mart stood out as the only individual discounter and retailer studied that made real strides in establishing itself as an everyday low pricer. Only 42 percent of Wal-Mart shoppers knew of a sale before going to the store in 1989, down from 61 percent a year earlier.

K mart and Target both became more promotionally driven retailers in 1989, with close to 50 percent of their customers at the store stating they had come after hearing about a sale, about the same rate as Sears, catalog showrooms and drug store chains.

The upswing in the K mart and Target figures suggest a move away from everyday low pricing. However, the fact

(Continued on page 38)

Discounters' Top Traffic Builders



Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

*Discounters' Top Traffic Builders**

Candy and household paper products draw the most traffic at discount stores.

Percent of total number of products mentioned by shoppers as traffic builders at discount stores.

Candy (1)	9.2%
Household Paper Products (6)	7.9
Hair Care/Personal Care Items (2)	7.0
Toys/Games (3)	5.6
Household Cleaners (5)	5.4
Laundry Products (4)	5.1
Food (e.g. chips, spices, cookies) (9)	4.0
Sheets, Comforters, Bedspreads (19)	3.5
Halloween Costumes/Decor (8)	3.3
Women's Blouses/Shirts (12)	3.1
Women's Jeans (—)	3.1
Women's Lingerie/Sleepwear (7)	3.0
Women's Accessories (14)	2.8
Home Store (e.g. mirror, closet organizers, pictures) (15)	2.8
Children's Clothing (—)	1.8
Women's Dress Pants/Slacks (18)	1.7
Women's Sweaters (11)	1.5
Women's Shoes/Boots (10)	1.5
Women's Outdoor Coats/Jackets (—)	1.1
Men's Shirts (—)	0.8

*Top 20 of 50 products mentioned; last year's ranking in ( ); new entries indicated by (—).

Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

*Sears-Penney-Ward's Top Traffic Builders**

Women's blouses/shirts and sheets, comforters and bedspreads are the top traffic builders for mass merchants.

Percent of number of products mentioned by shoppers as traffic builders at mass merchants:

Women's Blouses/Shirts (1)	6.3%
Sheets, Comforters, Bedspreads (6)	6.0
Women's Sweaters (3)	5.9
Women's Lingerie/Sleepwear (2)	5.9
Women's Shoes/Boots (—)	5.0
Women's Accessories (—)	5.0
Women's Dress Pants/Slacks (5)	4.3
Men's Shirts (11)	4.3
Women's Outdoor Coats/Jackets (9)	4.3
Children's Clothing (—)	4.0
Women's Clothing (7)	3.3
Women's Jeans (—)	3.0

*Top 12 of 20 products mentioned; last year's ranking in ( ); new entries indicated by (—).

Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

*Department Stores' Top Traffic Builders**

Women's apparel took the first six positions, with accessories and jeans tied for the top spot.

Percent of total number of products mentioned by shoppers as traffic builders at department stores:

Women's Accessories (9)	7.4%
Women's Jeans (5)	7.4
Women's Blouses/Shirts (1)	6.0
Women's Shoes/Boots (—)	6.0
Women's Clothing (4)	6.0
Women's Lingerie/Sleepwear (3)	5.4
Sheets, Comforters, Bedspreads (—)	4.7
Men's Shirts (—)	4.7
Children's Clothing (—)	4.0
Women's Outdoor Coats/Jackets (6)	4.0
Toys/Games (—)	2.7
Home Store (—) (e.g. mirror, closet organizers, pictures)	2.7

*Top 12 of 20 products mentioned; last year's ranking in ( ); new entries indicated by (—)

Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

TRAFFIC BUILDERS SURVEY

Ad Promos Promote Store Traffic

(Continued from page 37)
that there is a drop in shopper traffic related to advertising suggests that the stage is set for discounters to curtail ad spending and establish themselves as everyday low pricers.

The vast majority of traffic at discount specialty stores was generated by promotions, a marked contrast to the 1988 survey which found these discounters to be the least ad-dependent of all retailers.

This nearly 50 point increase is partially due to the way that these specialists are filling the promotional void created as full-line discounters move toward everyday low pricing. Discount specialists are also in a position to take advantage of more special deals and closeout goods which lend themselves to sharp, promotable prices.

At Sears, which was beginning to position itself as an everyday low pricer in 1989, about 48 percent of shoppers knew of a sale item before visiting the store, a 5 percent rise over 1988. Nonetheless, Sears remains well below the levels of Montgomery Ward and JCPenney; over 60 percent of the customers from both of these two retailers were in the store to shop for a sale.

Department stores also continued to become more promotional retailers during 1989. As the service orientation of department stores continues to plummet and as formerly exclusive department store brands are found in discount stores and specialty chains alike, more department stores are turning to promotions.

In 1987, for example, 28 percent of customers knew of a sale before shopping at a department store. That figure jumped to nearly 35 percent in 1988 and to 47 percent last year, exceeding Wal-Mart, Ames, and specialty stores. Nearly half of all department store shoppers surveyed said they were there for a sale.

But unlike other retail channels, the increased advertising actually resulted in a *drop* in the size of the mean ticket purchase made at the store, suggesting that the department store environment is not as conducive to generating add-on sales as other outlets.

(Continued on page 41)

Discounters' Top Traffic Builder Brands*

Lee, Fisher-Price and Sony led the list of top traffic builder brands.

Percent of * ... ' number of brands mentioned by shoppers as traffic builders at discount stores:	
Lee	5.6%
Fisher-Price	5.6
Sony	5.2
Old Roy**	4.8
Pringles	4.8
Hershey	4.0
Kleenex	3.6
Ziploc	3.6
Prestone	3.2
Chic	2.8
Clorox	2.8
Texas Steer	2.8
Wisk	2.8
Crest	2.8
Havoline	2.8
General Electric	2.8
Hanes	2.4
Purex	2.4
Northern	2.4
Levi's	1.2

*Top 20 of 50 brands mentioned.

** Wal-Mart's private label dog food appears on the top traffic builder brand listing due to an aggressive promotion during the survey time period, October 1989. The promotion gave consumers an extra 5 lbs. of Old Roy at the same price as 25 lbs. In addition, Old Roy POS display showed similarities of Old Roy to Science Diet, a premium dog food.

Source: Leo J. Shapiro & Assoc./ Discount Store News; October 1989

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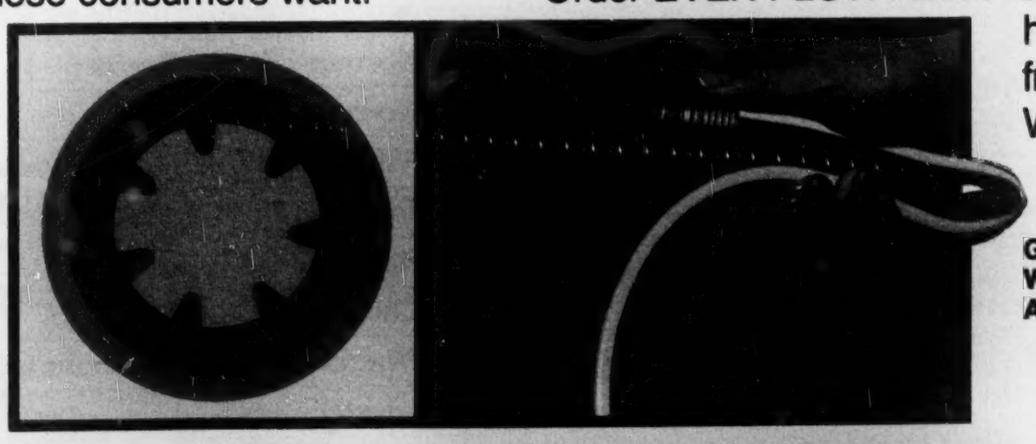

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Discounters Get Better Return on Ads

(Continued from page 38)

The continued softness of the apparel business—especially women's apparel—contributed to intensified promotions of other merchandise categories, especially domestics and men's apparel.

Sheets, comforters and bedspreads were used more often by discounters, Sears/Penney/Ward and department store operators to pull traffic in 1989 than in 1988.

Men's shirts were promoted more often at the major retail channels. The category was not mentioned at all by department or discount store shoppers in 1988, and were at the bottom of the list for a combined Sears/Penney/Ward category. In contrast, nearly 5 percent of all department store shoppers mentioned men's shirts in 1989.

Promotions of women's blouses/shirts still topped the Sears/Penney/Ward list, but the number of shoppers who said they had come to these stores for blouses was half that of 1988, 6 percent vs. 12 percent. Lingerie/sleepwear was also down by half.

Household paper products represented the second largest percentage of products mentioned by discount store patrons as the sale item they went to the store to buy, up from fifth in 1988. Kleenex was the single brand mentioned most often by discount store shoppers as the paper product promotion that drew them into a discount store.

Jeans brands such as Lee and Chic were among the top mentioned traffic building brands last year at discounters. In 1988, Gitano was among the brands promoted most at these chains.

Fisher-Price, Crest and General Electric were the only three brands that were mentioned both by 1988 and 1989 respondents. Consumers are finally realizing that GE is no longer in the small appliance business. In 1988, GE was the third-ranked brand, suggesting that any sale circular advertising small electrics was assumed to be GE.

As supermarkets devote more of their aisles to general merchandise, discounters are evidently striking back by attempting to pull customers into stores for food sales.

Non-candy food merchandise at discount stores ranked 17th in 1987 in terms of the number of shoppers who said they had seen food on sale before shopping at a particular discounter. During the past two years, food jumped to ninth in 1988 and seventh on last year's roster. Leading the list of non-candy food brands was Pringles.

Candy was the top traffic generator for discounters again last year. Hershey was the top named brand, instead of M&M, which was promoted more heavily the year before. Improved in-stock positions helped increase sales of candy to customers who knew of the promotion prior to shopping. In 1988, 74 percent had bought advertised candy; last year 79 percent said they had made a purchase. The mean amount spent by someone who knew of a candy item on sale remained constant at $25.

Similarly, there was a rise in both the percentage of people who bought other food items and the average total ticket. People who knew of a food sale and made a purchase rose from 82 percent in 1988 to 89 percent in 1989; average ticket went up from $22 to $29.

Other advertised merchandise that led to almost certain purchases by people who knew of a sale prior to visiting the store were pet food/supplies and boy's clothing (both 91 percent) and laundry products (89 percent).

Promotions that resulted in less than a fifty-fifty chance of actually selling that kind of merchandise included sports equipment and tires. Advertising these items might encourage someone who is in the market for an exercise bike or new set of tires to shop the store, but these goods are apparently not bought enough to stimulate much new traffic.

Dependence on Promotional Advertising

The promotional orientation of discount department stores showed a decline this year. Department stores, specialty stores, discount specialty stores and drug stores accelerated their promotional activity.

Percent of shoppers who knew of a sale item before visiting store:

Retailer	1989	1988
Montgomery Ward	61.9%	57.5%
JCPenney	60.2	61.1
Sears	47.8	42.7
K mart	50.4	37.6
Target	48.6	38.0
Wal-Mart	42.2	60.9
Ames/Zayre*	40.6	37.6
Discount Department Stores (Net)	55.6	63.7
Department Stores	47.0	34.8
Catalog Showrooms	51.4	NA
Discount Specialty Stores	80.7	28.6
Specialty Stores	40.7	31.5
Drug Stores	49.4	28.5

*Figure for 1988 was for Zayre stores only. NA—not available

Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

The articles in this special section were written by associate editor Mary Ellen Kelly. *DSN's* fourth annual Traffic Builders Survey is based on personal interviews with 2,279 shoppers exiting discount department stores and other types of retailers in seven markets in the major geographic regions of the United States.

The study was conducted by Leo J. Shapiro & Associates, Chicago, between Oct. 13 and Oct. 22, 1989. Those shoppers had made visits to a total of 3,908 stores. Among shoppers at a discount department store, 48 percent knew of an item on sale before making their trip that day. Overall, 54 percent of the visits made to any store that day were encouraged by the shopper's knowledge of a sale, slightly higher than the 50 percent in 1988.

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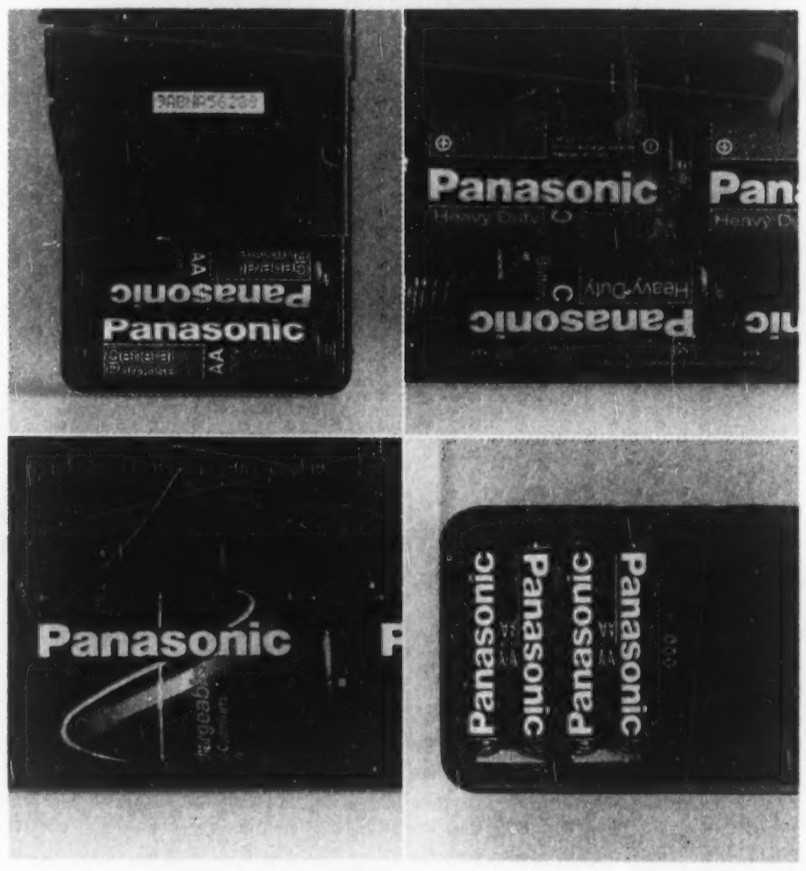
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TRAFFIC BUILDERS SURVEY

Promotions Work Better With EDLP

Full-line discount department stores were the only general merchandise retailers that managed to increase the percentage of purchases made by their shoppers while depending less on promo advertising last year

Discounters continued to be the best retailers at generating the most store traffic for the least amount of advertising investment, based on results from *DSN's* fourth annual Traffic Builders Survey.

The nationwide consumer survey, conducted by Chicago-based Leo J. Shapiro & Associates, details which retailers are the best at getting consumers to buy promoted merchandise. It also suggests which chains are able to get its consumers to buy more add-on merchandise or higher-priced goods, as evidenced by the average ticket of the purchase.

As a group, full-line discount department stores were the only general merchandise retailer that managed to increase the percentage of purchases made while depending less on promotional advertising last year.

During the past three years, discount store shoppers have become more and more likely to go to the store without being lured by the bait of a promotion. At the same time, ad-driven customers were more apt to make a purchase than in the past. In other words, everyday low pricing appears to have paid off for most discounters.

The percentage of consumers who came to a discount store for a sale was 70 percent in 1987. That figure dipped to 64 percent in 1988 and then dropped once more in 1989 to 56 percent.

The percentage of consumers who came to the store after seeing a sale was in progress and made a purchase was 65 percent in 1987. By 1988 that figure had climbed to 71 percent. Last year 76 percent of consumers visiting a store for a sale bought something.

The average ticket of the purchase held steady at $34 between 1988 and 1989, up from $28 in 1987.

Wal-Mart customers who went to the store for a sale were much more likely to make a purchase in 1989 than in 1988, but, on average, they did not spend as much at the cash register. The same was true at Target, where the average amount spent by ad-driven consumers fell by $12 to an average mean ticket of $36 last year.

At Wal-Mart, the percentage of shoppers who went to the store and bought something after seeing an item on sale rose to nearly 84 percent, up from 65 percent in 1988. But their mean ticket spending fell short of the 1988 level by $4.

The repositioning of Sears as an everyday low price retailer in 1989 in some ways did more to derail the chain's popularity than to set it on course. Sears, Montgomery Ward and JCPenney were all less effective in attracting new and infrequent customers during 1989 than in 1988, but Sears showed a greater decline in its ability to attract infrequent shoppers than either of those two competitors.

Penney showed a very slight decline last year in terms of luring new customers into its stores through promotions, while Ward dropped 4 percent. Sears was down 8 percent in this measurement.

Those customers who came to the store in response to a promotion were less likely to buy at Sears than at either Penney or Ward. All three retailers significantly improved the average purchase made when ad-driven customers came to shop. Each boosted the mean ticket by nearly $20 over 1988's ticket, due in part to better positioning of apparel and other higher-priced merchandise.

Children's apparel was the primary pull for new customer traffic at Sears, Penney and Ward and at full-price department stores as well. In 1989, 88 percent of those who had seen an ad for children's clothing before visiting one of these retailers were infrequent shoppers.

Other merchandise that built traffic at these outlets included domestics, women's coats and women's shoes/boots. Women's accessories and dresses were among the least effective traffic builders at department stores and at Sears, Penney and Ward.

Discount specialty stores, which consists almost exclusively of off-price apparel chains, have received the worthy title of category killers. These chains are even beating the seemingly unbeatable Wal-Mart at the retail game, at least when it comes to building store traffic and generating sales from promotions.

Off-pricers are achieving better sell-through on promoted goods than any other retailer studied. These chains are also generating a higher average ticket and are better at attracting new and infrequent customers than all discounters with the exception of Ames/Zayre.

Of the consumers interviewed, 92 percent of those who had gone to a discount specialty store with an advertised item in mind, made a purchase. On average they spent $37. Eighty-four percent of Wal-Mart shoppers who went to the store aware of a store promotion spent an average of $24.

The disparity between the average sales tickets may be due to the relatively higher prices of an apparel goods store vs. a full-line general merchandise retailer. Still, the data suggests that off-pricers are doing a better job of selecting the merchandise and prices of its traffic builders, as well as keeping promoted goods in stock.

Catalog showrooms have the most to gain from improv-

(Continued on page 55)

Total Ticket Generated By Traffic Builders at Retailers

Wal-Mart and Ames/Zayre shoppers were more likely to make a purchase than those shopping at other chains.

Store Shopped by Shoppers Who Knew a Product Was On Sale	Percent Who Made A Purchase	Mean Ticket
Wal-Mart	83.5%	$24
Ames/Zayre	78.1	16
Kmart	68.2	31
JCPenney	74.4	53
Montgomery Ward	68.4	66
Target	70.4	36
Sears	52.8	52
Discount Dept. Stores (net)	75.6	34
Discount Specialty Stores	92.4	37
Specialty Stores	64.5	55
Drug Stores	61.8	8
Department Stores	48.6	49
Catalog Showrooms	35.2	79

Source: Leo J. Shapiro & Assoc./Discount Store News: October 1989

Tickets Generated by Traffic Builders at All Retailers

Product That Shopper Knew Was On Sale	Percent Who Made a Purchase	Mean Ticket
Low Cost Items		
Over-the-Counter Drugs	70.2%	$ 36
Laundry Products	89.2	35
Household Cleaners	83.1	34
VCR Tapes	95.2	33
Home Store	85.2	33
Household Paper Products	87.9	33
Food (e.g. chips, spices, cookies)	88.5	29
Halloween Costumes and Decor	50.7	29
Hair Care/Personal Care	87.6	27
Underwear	71.0	26
Middle Cost Items		
Men's Clothing	54.0%	$134
Women's Clothing	42.4	75
Sports Equipment	39.1	68
Girls' Clothing	59.5	53
Children's Clothing,	78.4	50
Jogging/Tennis Gym Shoes	73.0	49
Infants'/Toddlers' Clothing	76.4	45
Women's Shoes/Boots	69.1	44
Men's Shoes/Boots	87.5	44
Boys' Clothing	90.9	41
Highest Cost Items		
Tires	27.0%	$107
Men's Suits	90.6	105
Furniture	72.6	82
Women's Outdoor Coats/Jackets	67.5	66
Women's Dresses	81.9	53
Women's Skirts	80.2	47
Women's Dress Pants/Slacks	69.2	47
Women's Jeans	77.8	45
Men's Jeans	71.4	37
Window Coverings	59.5	22

Source: Leo J. Shapiro & Assoc./Discount Store News: October 1989

TRAFFIC BUILDERS SURVEY

Mix of EDLP, Promos Works for Discounters

(Continued from page 42)
ing their in-stock position. Only 35 percent of shoppers who knew that a product they wanted was on sale actually made a purchase. Out of stocks, a commonplace problem in the catalog showroom industry, is an obvious culprit.

Those who did buy a sale item spent $79, the highest mean ticket amount among all retailers studied.

When the mean ticket amount is considered in the context that nearly half of all showroom traffic is generated by word of a sale, it becomes readily apparent how much an improvement of in-stock positioning could mean in terms of generating a higher sales volume.

Catalogers were also the best at attracting new and infrequent customers with their promotions. Nearly 90 percent were not regular catalog shoppers. Based on the low level of purchases actually made on sale goods, there is reason to wonder whether the infrequent showroom customers are likely to return.

The catalog showroom business is comparatively new at the promotional approach to retailing, having relied for so long upon an annual catalog to draw shoppers. It might take time for them to learn the intricacies of keeping promoted merchandise in stock.

Consumers Distributing, is the most obvious example of catalogers becoming more like traditional discounters. The relatively new Consumers Express format lets consumers pull the majority of goods off the shelves without filling out a stockroom requisition form. In conjunction with this shift, more frequent promotional mailings are gradually replacing the yearly catalog.

The list of tickets generated by traffic builders at all general merchandise retail outlets illustrates why department stores are suffering despite intensified price and item advertising. The items that generate the most traffic and the greatest number of add-on sales are not sold in department stores (the low-cost items). The majority of products that department stores have been using as traffic builders (women's jeans, clothing, shoes and boots) have a lower probability of eliciting a sale.

The mean ticket spent on middle and highest-cost items suggest that the majority of consumers who visited any general merchandise store to buy these goods on promotion bought only these goods. Add-on sales were strongest on low ticket items such laundry products, household cleaners and VCR tapes, each of which—despite the low cost of these items—resulted in a $34 total ticket.

Retailers had the best chance of selling promoted VCR tapes, boys' clothing, men's suits, laundry products and food; for each of these products roughly nine out of 10 people who came to the store for the promoted item made a purchase.

Women's jeans and women's clothing overall generated fewer new customers to discount department stores while home-oriented goods became more important traffic magnets.

Promotions of home store products such as organizers, mirrors and decorative accessories brought in the largest percentage of new customers. Other home merchandise such as domestics and kitchen appliances were also influential traffic builders. Home store promotions showed infrequent shoppers the evolving home decor orientation of most discounters.

According to the most recent survey results, most discount store shoppers said that sales of women's jeans, accessories and lingerie did not prompt them to go to a store they do not ordinarily shop.

Unlike department stores, discounters also did not draw much new traffic from sales of children's clothing, but infant/toddlers' apparel were fairly effective discounter traffic builders.

*Attracting New and Infrequent Customers**

Mass merchandisers are more successful at using promotions to attract infrequent shoppers.

Percent of infrequent shoppers who knew of a sale item before visiting store:

Retailer	1989	1988
JCPenney	76.6%	77.5%
Montgomery Ward	70.2	74.0
Sears	69.1	77.3
Ames/Zayre**	57.9	23.2
Wal-Mart	23.9	28.4
Kmart	21.9	32.4
Target	19.1	24.6
Discount Department Stores (net)	27.9	32.8
Discount Specialty Stores (net)	44.6	50.0
Department Stores	70.2	69.1
Catalog Showrooms	89.0	NA
Specialty Stores (net)	61.4	81.1
Drug Stores	22.5	50.0

*Customers who shopped a store less than twice a month
**Figure for 1988 was for Zayre stores only
NA — not available

Source: Leo J. Shapiro & Assoc/Discount Store News; October 1989

Effectiveness of Product Promotions In Attracting New and Infrequent Discount Customers

And Who knew of a Sale Item All Were Coming to Shop for	Customers Who Shop at This Store	
	Not Often*	Often
Home Store (e.g. mirror, closet organizers, pictures)	60.0%	40.0%
Sheets, Comforters, Bedspreads	50.0	50.0
All Kitchen Appliances	47.0	53.0
Infants/Toddlers' Clothing	42.1	57.9
Motor Oil	42.1	57.9
Women's Blouses/Shirts	32.1	67.9
Halloween Costumes/Decor	30.0	70.0
Toys/Games	27.4	72.6
Household Cleaners	26.5	73.5
Cat/Dog Food/Pet Supplies	22.7	77.3
Laundry Products	21.7	78.3
Hair Care/Personal Care Items	20.6	79.4
Candy	20.5	79.5
Household Paper Products	19.7	80.3
Children's Clothing	18.7	81.3
Women's Lingerie/Sleepwear	18.5	81.5
Women's Accessories	16.0	84.0
Women's Jeans	14.3	85.7
Food (e.g. chips, spices, cookies)	11.1	88.9
VCR Tapes	10.0	90.0

*Defined as shopping twice a month or more.

Source: Leo J. Shapiro & Assoc/Discount Store News; October 1989

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TRAFFIC BUILDERS SURVEY

Shoppers Become More Price-Sensitive

Age, Finances Color Decisions

All U.S. shoppers were more responsive to merchandise promotions during 1989 than they were in any of the previous three years these statistics were measured in *DSN*'s Traffic Builders Survey conducted by Leo J. Shapiro & Associates.

Each year there are some shifts in which gender or age group is more aware of advertised special prices, but this was the first year that the average of all shoppers significantly increased. The average across all survey respondents had been about 50 percent in previous years. In 1989 the figure rose to over 55 percent.

Prime Ad Target: Over 45

The primary factor influencing this shift is concern for lower prices among people aged 45 years or older. Women aged over 55 were the most responsive to advertising with their male counterparts of the same age category the second most responsive group.

Retailers could expect to see store traffic rise when merchandise to these age groups were being promoted. While this would embrace most merchandise categories, it would be less likely to include junior jeans, Halloween costumes and baby food, but might include home health care products, over-the-counter drugs and women's sportswear.

The popularity of early retirement in much of the United States could be one explanation for the marked turnaround of attitudes among the 55- to 64-year-olds. The level of ad awareness had dropped from 1987 to 1988, especially among women, but rebounded in 1989 to be above even 1987 levels.

Shopper Profile

Both men and women over 45 tended to be more concerned with promotional advertising last year than they were in 1988.

	Percent of All Shoppers Who Knew of Sale/Special		Percent of Women Shoppers Who Knew of Sale/Special		Percent of Men Shoppers Who Knew of Sale/Special	
Age	1989	1988	1989	1988	1989	1988
Under 25	40.2%	43.7%	45.7%	46.4%	26.4%	36.0%
25-34	52.5	52.5	54.8	54.9	44.0	44.8
35-44	53.2	50.1	57.3	48.7	40.2	56.5
45-54	59.0	54.1	61.5	54.6	49.5	37.5
55-64	61.7	48.4	65.0	50.3	51.8	42.9
65 And Over	64.8	53.3	65.6	52.9	62.6	54.8

Source: Leo J. Shapiro & Assoc./Discount Store News, October 1989

The over 65 classification, which had basically remained unchanged from 1987 to 1988 rose during 1989, suggesting some belt-tightening among senior citizens.

Preparing for retirement, paying down debt (such as a mortgage) incurred earlier in life, sponsoring the rising costs of a child's college education and unprecedented health care costs are all likely candidates as reasons why shopping for lower prices in this age group could be more important. The lack of concern among their children—those under the age of 25—certainly does not help to lower cost concerns.

Young, Debt-Free, Carefree

All people under the age of 25 became less sales conscious in 1989 than they were in 1988, reversing the trend between 1987 and 1988 when both men and women in this age group had become more aware of advertisements. The consumer group most oblivious to retailer promotions was males under 25. Seventy-five percent of this group is unlikely to respond to ads.

The declining response rate to apparel advertising that retailers have been experiencing, especially promotions of jeans, is no doubt linked to this lack of concern among those aged under 25 years old.

The difficulties most retailers are experiencing attracting this age group for store employment indicates that a large number of those aged under 25 years old either do not need the money to sustain their lifestyle, or have jobs that will pay them considerably more than minimum wage. In either situation, young people are generally unencumbered by debt and are not preoccupied with maximizing the purchases made with their adequate disposable income.

Another possible reason why the young are among the least influenced by advertising could be due to a lack of retailer ad reach. Assuming it is more common for those over 25 to read newspapers and see retail advertising circulars, it is possible the young simply are unaware of special sales. If this is true, television and radio promotions would be the best way for retailers to build shopper traffic in this age group.

Responsive Yuppies

The 25- to 34-year-olds—both male and female—were virtually unchanged in their decision to buy an item because it was on sale. Persons in this age group have witnessed the least amount of fluctuation in their financial standing compared to 1988. They are not yet strapped with the financial burdens of high health care costs and are usually able to offset the costs of a new home or new family through career advancement.

As a whole, 35- to 44-year-olds remained more or less unchanged concerning ad shopping, except men and women of this age classification switched perspectives—men were less aware of merchandise promotions than women, reversing the 1988 trend when men had been more aware than women.

A subtle swing toward the "traditional" role of man as breadwinner and woman as housewife and mother may have contributed to this shift in perspective. The career woman who became a mother is facing the costly child care problem in the United States and may be deciding to forgo the expense and worry of hiring someone to care for her child. Once again at home, she becomes the household consumer, shopping for bargains.

***Women over 55** were the most responsive to advertising while men of the same age group were the second most responsive group.* (DSN photo)

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TRAFFIC BUILDERS

APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Discount Chains Downplay Sales

Department Stores Step Up Advertising of Sale Items

Last year, discounters apparently played down apparel promotions, as higher-priced department stores fought back with their own aggressive apparel campaigns.

As a group, Sears, JCPenney and Montgomery Ward also were much more aggressive in promoting apparel items on sale than discount stores.

Discounters attracted far fewer sales shoppers in some of their key promotional categories including women's lingerie, clothing, blouses and shirts, men's shirts and shoes.

The type of apparel merchandise and price points retailers used to draw traffic changed considerably during 1989. The category as a whole continued to represent just over 40 percent of all merchandise promotions that had enticed consumers to shop, based on findings from the fourth annual Traffic Builders Survey, conducted for *DSN* by Leo J. Shapiro & Associates, the Chicago-based consumer research firm.

While women's apparel remained the most highly promoted segment of the apparel business, a new effort was made to stimulate traffic through promotions of men's and children's goods.

The result was a doubling of the number of men's shirts promotions consumers were responding to, a near doubling in response to children's clothing ads, and an upswing in infants'/toddlers' clothing mentions.

These promotions also resulted in better sell-through than they had in 1988. For example, only 57 percent of all people who had gone shopping for men's shirts after seeing them advertised actually made a purchase in 1988. Last year, the number of people who walked out of the store with a man's shirt rose to nearly 79 percent. Better selection of style and color, especially at mass merchandisers, contributed to the upswing in the men's shirt business.

Similarly, the percentage of shoppers who bought advertised infants'/toddlers' clothing rose from 50 percent in 1988 to 76 percent last year. In children's clothing, the purchase rate rose from 62 percent to 78 percent.

The good news is, people are more likely to buy most advertised items; the bad news is, these consumers are spending considerably less at the cash register.

The mean ticket of those shoppers who bought a man's shirt in 1988 was $51; this fell to $33 in 1989. Women's jogging suits generated an average ticket of $41 in 1988 but only $21 last year. The average ticket on a purchase that was spurred by a promotion for women's blouses/shirts fell to $35 from $47 and for women's jeans, the average ticket sunk to $45 from $56.

Apparel items like lingerie/sleepwear, infants'/toddlers' and women's dress pants/slacks did run against this trend, with higher tickets generated last year than the year before. These increases, however, were not as pronounced as the decreases.

Women's blouses and shirts replaced women's lingerie/sleepwear as the most fre-

(Continued on page 64)

***Women's lingerie/sleepwear** attracted the greatest percentage of shoppers who purchased a sale item.* (DSN photo)

Customer Purchases of Apparel Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**	Percent of Mentions by Frequent Shoppers at All Stores*
Women's Lingerie/ Sleepwear	87.9%	$34	56.6%
Men's Shirts	78.6	33	43.8
Women's Accessories	78.6	26	59.5
Children's Clothing	78.4	50	49.5
Women's Jeans	77.8	45	63.4
Infants'/Toddlers' Clothing	76.4	45	55.4
Women's Blouses/Shirts	74.4	35	54.5
Women's Dress Pants/Slacks	69.2	47	45.7
Women's Shoes/Boots	69.1	44	36.8
Women's Sweaters	69.1	40	41.8
Women's Outdoor Coats/Jackets	67.5	66	49.6
Women's Jogging Suits	61.8	21	54.4

*Shoppers who shopped store at least twice a month

**Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc/Discount Store News; October 1989

***Customer Purchases of Apparel Traffic Builders** is ordered by the apparel promotion most likely to result in a purchase by a consumer, column one. Topping the list is Women's Lingerie/Sleepwear; 87.9 percent of all who bought this apparel item knew it was on sale before going to the store. The average total amount spent on the shopping visit is listed in column two, $34, which includes both the lingerie/sleepwear bought and any other items. Column three indicates whether infrequent or frequent customers were most responsive to the promotion. Frequent shoppers represented 56.6 percent of customers who went to the store for a sleepwear/lingerie sale; therefore infrequent shopper response was 43.4 percent, to total 100 percent.*

Top Apparel Traffic Builders By Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores Percent of Mentions in Category	Mass Merchandisers Percent of Mentions in Category	Department Stores Percent of Mentions in Category
Women's Blouses/Shirts	4.3%	44.7%	25.2%	10.8%
Women's Accessories	4.0	43.8	21.8	14.6
Women's Lingerie/ Sleepwear	3.8	49.8	27.6	11.2
Women's Jeans	3.4	56.9	15.2	16.9
Women's Sweaters	3.2	30.7	32.8	5.0
Women's Shoes/Boots	2.8	34.1	30.4	16.6
Children's Clothing	2.4	46.5	29.1	13.2
Women's Dress Pants/ Slacks	2.4	43.8	31.5	6.6
Men's Shirts	1.9	25.3	38.9	19.0
Women's Outdoor Coats/Jackets	1.9	37.1	40.2	16.9
Women's Clothing	1.9	33.6	31.1	25.3
Infants'/Toddlers' Clothing	1.7	76.2	10.0	6.1

Source: Leo J. Shapiro & Assoc/Discount Store News; October 1989

***Top Apparel Traffic Builders by Outlet** indicates which apparel merchandise is best at drawing traffic at discount, mass and department stores. Of all consumers surveyed, women's blouses/shirts was mentioned most often—by 4.3 percent—as the promotion that drew them to a store. The three Percent of Mentions in Category columns usually add up to 100 percent. These three columns show that 44.7 percent of all people surveyed who had gone to a store for a blouse or shirt were drawn by a discount store ad; 25.2 percent had seen a mass merchandiser ad and 10.8 percent saw a department store ad. The remaining 19.3 percent were generated by specialty stores.*

TRAFFIC BUILDERS

HOME PRODUCTS

Housewares • Domestics • Photo • Consumer Electronics • Home Office • RTA Furniture

Promos Target Product Niches

VCR Tapes, Linens, Home Storage Leading Traffic-Building Categories

Discounters, more than any other type of retailer, continued to utilize products for the home as traffic builders last year. However, intensified advertising by department stores resulted in shifts of shopper traffic.

All retailers were more aggressive last year in promoting bath towels and tableware, two categories that did not appear on the top home products traffic builders list during 1988.

Promotions of home fashion products such as servingware, sheets, and decorated closet storage items succeeded in bringing customers to the store but, in most cases, only the sale item was purchased.

The fourth annual Traffic Builders Survey conducted for *DSN* by Leo J. Shapiro & Associates, Chicago, also indicated the specific product groups where retailers are picking their promotional niche.

Discounters, already kings of promotion-driven VCR tape sales, pulled ahead even further to be nearly the exclusive resource among the discount, mass and department store outlets. As a group. Sears, JCPenney and Montgomery Ward were mentioned by 4 percent of shoppers as the place they bought a promoted VCR tape; discount store promotions captured the other 96 percent.

While sheets, comforters, bedspreads and home storage items were mentioned more often by customers as the subject of an ad that had brought them to the store, a smaller percentage actually walked out of the store with one of those items. More than nine out of 10 shoppers who went to the store in response to a VCR tape sale, left with a tape, compared with about eight out of 10 for home storage and a little over six out of 10 of those shopping for bed linens.

Not only did VCR tape promotions get people into the store, nearly every person who went to the store because of the advertising went home with VCR tapes . . . and more. With an average of $33 dollars spent when shopping for VCR tapes, it is pretty clear that blank tapes are dynamos in terms of generating add-on sales for discounters.

The mean ticket spent in most other home products categories indicates that consumers are shopping for the promoted merchandise and buying only the promoted merchandise.

White sales are one of the best ways for retailers to bring new or infrequent customers into their store; about six out of 10 customers responding to linen promotions do not regularly shop the store offering the discounted prices.

Sheets, comforters and bedspreads were mentioned by 4.2 percent of all consumers surveyed as the merchandise they had seen on promotion and had gone out to buy, exactly double 1988's level. This very strong response to advertising, however, continued to be met with disappointment by consumers. Stores were either out of stock, or offered unfashionable color and pattern selections based on the nearly 35 percent of these shoppers who walked away empty-handed.

While the 65.8 percent of shoppers who did buy a sheet, comforter or bedspread is a few percentage points better than in 1988, the persistently low purchase rate suggests an area where retailers could substantially boost promotion-driven sales. On the positive side, the bed linens shoppers who did make a purchase spent more at the cash register last year, with an average increase of $4.

Discounters' share of the sheets, comforters and bedspread promotional business tumbled in 1989 to 53 percent of consumers surveyed; in 1988, 63 percent responded to a discounter promotion.

In contrast, only 15 percent of shoppers who had seen an ad for home storage products, the second most frequently mentioned home products category, walked away from the store empty-handed. Discounters and Sears/Penney/Ward lost some of the promotional home storage business to department stores, but discounters were still No. 1, attracting over seven out of 10 consumers shopping such a sale.

Consumers did, however, spend less at the cash register when responding to home storage promotions. An average of $33 was spent in 1989 vs. $41 in 1988.

Even more than white sales, promotions of home storage goods attracted infrequent shoppers, up by about 10 percent from 1988. The new closet storage niche chains and home center stores tapped into the business more last year. During 1989, 87.6 percent of all category promotions were mentioned by discount and department stores consumers. This is down from nearly 97 percent in 1988, indicating that these other retailers are more aggressively promoting the storage category.

Tableware was the area of home products where department stores showed considerable promotional strength in contrast to discounters. This is the only category of home products where discounters did not even represent half of the business.

Sears/Penney/Ward attracted about one-quarter of all customers shopping for promoted tableware in 1989. Department stores represented about 15 percent of all mentions, and discounters just under one-half of the total.

The average amount spent on promoted tableware was $17. This fairly low average ticket suggests there is opportunity for discounters and mass merchandisers to exploit the promotability of this price-sensitive category.

Sears/Penney/Ward took away promotional sales of small kitchen appliances from both discount stores and department stores, but discounters continued to be responsible for the lion's share of the promotional business.

For Hard Lines Traffic Builders, see page 71.

Top Home Products Traffic Builders By Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores: Percent of Mentions in Category	Mass Merchandisers: Percent of Mentions in Category	Department Stores: Percent of Mentions in Category
Sheets, Comforters, Bedspreads	4.2%	52.9%	24.8%	8.7%
Home Storage	2.4	71.8	7.1	8.7
VCR Tapes	1.4	96.0	4.0	—
Small Kitchen Appliances	1.4	83.8	12.5	3.7
Furniture	1.0	79.3	5.5	—
Bath Towels	1.0	57.2	17.9	5.4
Window Coverings	0.8	71.5	14.2	6.8
Tableware	0.7	49.2	24.5	14.8

Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

***Top Home Products Traffic Builders by Outlet** indicates which home products merchandise is best at drawing traffic at discount, mass and department stores. Of all consumers surveyed, sheets, comforters, bedspreads were mentioned most often—by 4.2 percent—as the promotion that drew them to a store. The three Percent of Mentions in Category columns usually add up to 100 percent due to the dominance of these three outlet types listed. When they do not total 100, other retailers—usually specialty stores—represent the balance. These three columns show that 52.9 percent of all people surveyed who had gone to a store for sheets, comforters or bedspreads were drawn by a discount store ad; 24.8 percent had seen a mass merchandise ad, and 8.7 percent saw a department store ad.*

Customer Purchases of Home Products Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**	Percent of Mentions by Frequent Shoppers at All Stores*
VCR Tapes	95.2%	$33	86.4%
Home Storage	85.2	33	39.7
Tableware	84.4	17	56.9
Bath Towels	73.2	30	61.1
Furniture	72.6	82	62.1
Sheets, Comforters, Bedspreads	65.8	34	43.7
Window Coverings	59.5	22	53.6

*Shoppers who shopped store at least twice a month
**Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc./Discount Store News; October 1989

***Customer Purchases of Home Products Traffic Builders** is ordered by the home products promotion most likely to result in a purchase by a consumer, column one. Topping the list is VCR tapes; 95.2 percent of all who bought this home products item knew it was on sale before going to the store. The average total amount spent on the shopping visit is listed in column two, $33, which includes both the VCR tape(s) bought and any other items. Column three indicates whether infrequent or frequent customers were most responsive to the promotion. Frequent shoppers represented 86.4 percent of customers who went to the store for a VCR tape sale; therefore infrequent shopper response was 13.6 percent, to total 100 percent.*

TRAFFIC BUILDERS

HARD LINES

Automotives • Health & Beauty Aids • Hardware • Toys • Stationery • Sporting Goods • DIY

Pet Supplies Fetch Big Profits

Customers Buy More and Spend More for Promos

Consumers bought more and spent more in response to hard lines merchandise promotions during 1989, despite an overall drop in the level of retailer hard lines advertising.

Sears, Penney and Ward made inroads in discounter dominance in some hard lines product areas, but discounters rebounded by exploiting categories few specialty stores have promoted, such as food, automotives and pet supplies.

The level of add-on sales pushed mean ticket spending levels up in nearly every hard lines category, with the exception of such items as toys/games and motor oils.

Department stores, while not a major factor in many hard lines categories, did climb to a position of importance in promotional cards, and increased traffic somewhat from toy and game advertising.

The fourth annual Traffic Builders Survey, was researched by Chicago-based Leo J. Shapiro & Associates for *DSN* to measure consumer responses to retailer product promotions.

Pet supplies emerged in 1989 as a product area with few price competitors. The percentage of all consumers surveyed who mentioned a pet supply promotion rose to 1.6 percent from 0.9 percent in 1988. Discounters took over the promotional pet supply business from independent retailers and grocery stores, claiming 98.3 percent of all consumer mentions, up 6 percent from 1988.

With average purchases ringing up $16 at the cash register, discounters are not just selling "chicken feed." Pet toys, pet health aids to combat the spread of Lyme disease and fleas are generating profitable sales dollars. One buyer from a large Midwestern discount chain said pet supplies had been, "the most underestimated profit maker" in his stores.

Nine out of 10 ad-driven, pet supply shoppers made a purchase, a level only a handful of products throughout a store generates on ad. In most other categories, this high level would suggest good in-stock positioning and selection. In pet supplies it might also reflect consumer willingness to substitute one brand of pet food or toy for another.

Shopper responses to advertised pet supplies is consistent with other consumables. About one-fourth of all who responded to promotions do not often shop the store, but are lured by the sharp pricing.

The percentages of consumers who bought candy and food at a discount outlet was up 5 percent due to improved in-stock positions.

Nonetheless, grocery stores evidently took back part of the promotional candy

(Continued on page 73)

***The number of shoppers** who bought candy/food on promotion at a discounter was up 5 percent due to improved in-stock positions.* (DSN photo)

Top Hard Lines Traffic Builders By Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores: Percent of Mentions in Category	Mass Merchandisers: Percent of Mentions in Category	Department Stores: Percent of Mentions in Category
Candy	6.3%	91.4%	0.9%	—
Hair Care/ Personal Care Items	5.1	85.1	3.5	1.0%
Household Paper Products	5.1	97.2	2.3	—
Toys/Games	4.3	82.2	6.7	4.9
Household Cleaners	3.7	91.6	6.2	1.4
Food, (e.g. Chips, Spices, Cookies)	2.7	91.2	—	—
Halloween Costumes/Decor	2.5	82.6	6.9	—
Pets/Pet Supplies	1.6	98.3	—	—
Motor Oil	1.5	86.8	11.5	—
Automotive (e.g. Battery, Brake Fluid)	1.2	91.0	4.7	—
Tires	0.9	45.8	51.2	—

Source: Leo J. Shapiro & Assoc./Discount Store News; *October 1989*

***Top Hard Lines Traffic Builders by Outlet** indicates which hard lines merchandise is best at drawing traffic at discount, mass and department stores. Of all consumers surveyed, candy was mentioned most often—by 6.3 percent—as the promotion that drew them into a store. The three Percent of Mentions in Category columns usually add up to 100 percent due to the dominance of these three outlets. When they do not total 100, other retailers—usually specialty stores—represent the balance. These columns show that 91.4 percent of all people surveyed who bought candy were drawn by a discounter ad; 0.9 percent were responding to a mass merchandiser promotion, and no consumer saw a department store candy ad. In this case, the missing 7.7 percent of responses were probably generated by grocery ads.*

Customer Purchases of Hard Lines Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**	Percent of Mentions by Frequent Shoppers at All Stores*
Pets/Pet Supplies	91.1%	$16	75.9%
Laundry Products	89.1	35	78.5
Food, (e.g. Chips, Spices, Cookies)	88.5	29	84.0
Household Paper Products	87.9	33	78.6
Motor Oil	87.9	24	50.3
Hair Care/Personal Care Items	87.6	27	73.8
Household Cleaners	83.1	34	67.4
Candy	79.2	25	77.8
Toys/Games	72.7	40	64.8
Halloween Costumes/Decor	50.7	28	61.0

*Shoppers who shopped store at least twice a month **Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc./Discount Store News; *October 1989*

***Customer Purchases of Hard Lines Traffic Builders** is ordered by the hard lines promotion most likely to result in a purchase by a consumer, column one. Topping the list is pet supplies; 91.1 percent of all who bought this item knew it was on sale before going to the store. The average total amount spent on the shopping visit is listed in column two, $16, which includes both the pet supplies purchased and any other items. Column three indicates whether infrequent or frequent customers were most responsive to the promotion, Frequent shoppers represented 75.9 percent of customers who went to the store for pet supplies; therefore infrequent shopper response was 24.1 percent, to total 100 percent.*

Pet Supplies Fetch Profits With Few Price Competitors

(Continued from page 71)
business during 1989, based on a drop in the number of total mentions, and a drop in mentions at all three retail outlets.

Discounters dropped 6 percent in the number of shoppers who said they were responding to a discounter candy promotion. The mean ticket of those who bought candy held constant at $25. The mean ticket for food increased from $4 to $29.

In both the candy and food categories, a growing number of shoppers responding to the product promotions are frequent store customers, or those that shop that particular store at least twice per month.

In 1988, six out of 10 people surveyed who were shopping for food were frequent shoppers compared with eight out of 10 last year.

Similarly, nearly eight out of 10 consumers who bought candy on sale were frequent store shoppers, up from seven out of 10 in 1988.

Household paper products, laundry products and household cleaners all inspired tremendous add-on sales activity. When retailer ads pulled shoppers into stores for these items which usually cost from $1 to $3, they left an average of $34 at the cash register.

Each of these hard lines products stimulated higher mean tickets in 1989 than the previous year, as much as an average of $3 more per shopper. Assuming that a typical shopper would not spend $33 on household paper products, nor $35 exclusively on laundry products, the add-on sales generated are the highest of all products studied, with the exception of VCR tapes which provided comparable add-on sales results.

Sears, Penney and Ward, while very minor players in the promotional cleaning aids business, did become somewhat more aggressive in the category. Promotions for cleaners at these stores were not mentioned at all by consumers in 1988. More ad spending by mass merchandisers in 1989 resulted in a shift of mentions from discounters to Sears, Penney and Ward.

***Pet supplies** including toys and health aids was a product area with few price competitors in 1989.* (DSN photo)

Buddy L Acquired By SLM Canada

MONTREAL — SLM Canada announced it has acquired the Buddy L Corporation for an undisclosed sum.

Founded in 1910, Buddy L, New York, markets a line of steel toy cars, trucks, railroad cars, airplanes and construction equipment made in the Far East. It also markets a line of infant and preschool toys called, My First Buddys.

The Buddy L acquisition adds an estimated $40 million in sales to SLM's revenues of $120 million a year.

SLM is a molder of plastic toys and sporting goods, such as children's pools, sandboxes, sleds and toboggans and hockey and figure skates. One of its better known brand names is the Black Snow snowboard.

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A Coleman PRODUCT

Stuarts to Give Stores Updated Look

(Continued from page 1)
dising executive at Jamesway, these changes represent the beginning of an "exciting" turnaround plan for Stuarts.

"We need to increase consumer recognition of Stuarts, differentiate ourselves from the competition, improve the execution of operations, and be more cost-efficient," said Ettore, describing his key strategic points.

The immediate changes planned by Ettore include:

- Marketing/Advertising—Upgrading the quality of ads with a four-color circular; a new slogan promoting Stuarts as "New England's Way To Save"; and a new radio advertising campaign;
- Merchandising—Maintaining an everyday low price policy; a new center aisle promotion called "Hot Stuff"; a stronger mix of brand names such as the addition of Manhattan and Sasson in men's wear; test of vendor departments; more face-front hanging presentations; a new paint program and crafts section.
- Operations—Implementation of an in-store training program; addition of an incentive bonus program for employees; more MIS enhancements including scanning; a new 88,000-square-foot distribution center with more storage space; and reduction of out-of-stocks and rebates;
- Store design—Adding more coordinated signage throughout the store with a new slogan; new accent color teal added to rust and beige scheme; remodeling of Grafton, Mass., store, the oldest unit in the chain.

However, merely implementing these changes will not be the measure of success for Stuarts. "The telltale sign is going to be how we perform," admitted Ettore.

And it appears that the confidence level for growth and profitability is high. Ettore projects about a 7 percent store-for-store increase in the first half of 1990. "We know a lot of people are planning flat," he said, "but we're not afraid of the 7 percent increase, even in light of a bad economy."

That would be a significant turnaround for Stuarts considering last year's poor performance. For the third quarter ended Oct. 28, 1989, total sales increased slightly to $37.8 million from $35.2 million in 1988. However, comparable store sales declined 5.1 percent, while the company posted a net loss of 1 cent a share compared to net income of 15 cents a share in 1988.

Through the first three quarters, total sales rose slightly to $101 million from $97.2 million in 1988. Comparable store sales declined 1.5 percent over the three quarters in 1988. A net loss amounted to 5 cents a share compared to net income of 22 cents per share in 1988.

At presstime, Stuarts had not yet reported year-end results. Ettore projected total sales will be about $150 million vs. $140.4 million in 1988.

"Stuarts became a very boring chain probably because of its advertising," said Ettore. "Everybody was romancing the customer with beautiful and more focused ads. We just kept going with the same format [16 items to a page, no color]. The customer got confused and didn't perceive Stuarts as an exciting store. And they drifted away."

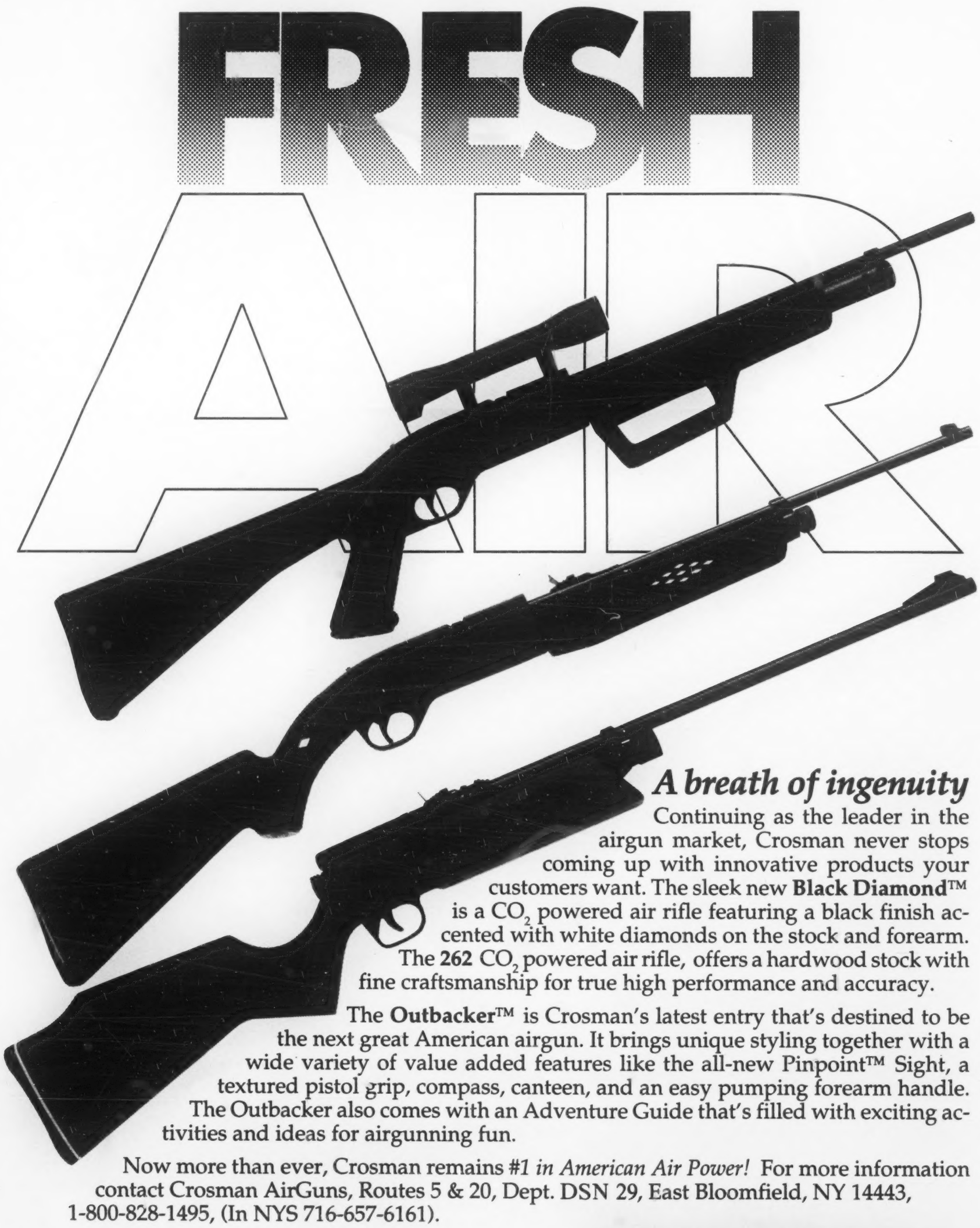
But Ettore, who assumed the president's role last October (his first in such a capacity), is confident that Stuarts can bring customers back. He believes that there is tremendous growth potential in the New England market especially since Mars and Zayre are no longer competitors.

"The most important things Joe brought to Stuarts are energy and excitement," said Earl Spokane, senior vice president of finance. "He has provided leadership, direction and enthusiasm."

"Without a doubt, Joe is a leader of the troops," concurred Dave Ferguson, senior vice president of operations.

Even Ettore himself believes that he has inspired people and improved communications throughout the chain.

But, as he admitted, the measure of success will be profitability. And only time will tell if the new Stuarts will become "New England's Way to Save" or another regional chain that couldn't survive.



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The Sports Authority To Sport New Owner

By Richard C. Halverson

FT. LAUDERDALE, Fla. — K mart has purchased The Sports Authority, the first retailer to venture into the warehouse-size sporting goods concept, which now operates eight Sun Belt megastores.

K mart's own Sports Giant sporting goods chain will be folded into Sports Authority, which will operate as an independent subsidiary under its original management.

A confidential industry source told *DSN* that K mart signed an agreement late last month to purchase Sports Authority. Although both sides declined comment about whether the sale had been consummated, at presstime, a release signed by both parties revealed that the transaction had been completed. Terms were not disclosed.

"We've talked to Woolworth, Montgomery Ward, K mart and offshore people," about selling the chain, Jack Smith, founder, told *DSN* prior to the announcement.

(Continued on page 74)

K mart's Store Therapy

'Oak Park Look' to Revive Discount Stores

By Arthur Markowitz

TROY, Mich. — K mart Corp., plans to spend over $2.3 billion through 1994—about double the commitment announced just last year—to try and breathe new life into its stagnant discount stores.

The effort, revamping the chain to follow the sophisticated merchandising presentation first displayed in the Oak Park, Mich., store opened last fall, will touch each and every K mart to some degree as it unfolds over the five years.

It involves enlarging 620 K marts, relocating 280 others and closing 30 stores, all to be completed by 1993, along with refurbishing 1,260 units and opening 250 new outlets, 50 a year, through 1994—with each K mart showing off what the discounter calls the "Oak Park look."

Apart from the $2.3 billion program for the discount stores, the diversified retailer is developing a separate capital spending plan for its specialty store operation. The amount hasn't been determined but is expected to be much less as the needs of the specialty stores aren't as pressing as the discount stores.

K mart chairman, president and chief executive officer Joseph Antonini said the accelerated capital spending program for the K marts "will strengthen the company for the future . . . is the best investment we can make in our core discount store business and clearly demonstrates the company's commitment to discount store retailing. In essence, we are making the right changes, right now."

The $2.3 billion, five-year capital spending plan for K mart updates the $1.3 billion commitment Antonini announced in October 1989 (see *DSN*, Oct. 30, 1989, page 1) when the company first addressed the growing concern about the discount stores' lackluster performance.

Men's at K mart, Oak Park, Mich.: *Name brand signage and focal walls are a hallmark of the 'Oak Park look.'* (DSN photo)

The corporation acted as sales at the K marts have slowed down and the discount stores face growing competitive pressure from four major general merchandise rivals.

Sears last year launched its own moderniza-

(Continued on page 76)

VICS Plans 4 Committees To Begin Quick Response

By Arthur Markowitz

TROY, Mich. — VICS has a new mission—implementing Quick Response among the greatest number of retailers and manufacturers.

It plans to carry out this mandate by setting up four new committees. One, Marketing and Education, is to focus on developing an educational program to counter the lack of understanding that many companies have about the benefits of Quick Response and how it works.

David Carlson, K mart's senior vice president, Corporate Information Services, who has been active with VICS since its founding, said: "Surveys still show that companies don't fully appreciate the impact that QR will have in providing better service to consumers. It enables manufacturers and retailers to get goods faster and more efficiently to customers. It

(Continued on page 7)

Child World Plans to Expand Prototype Format

By Tony Lisanti

FRAMINGHAM, Mass. — Child World has announced plans to remodel at least nine stores this year to test the viability of its "revolutionary" new store of the future.

"We need to develop a new and exciting store that will differentiate ourselves from Toys 'R' Us and will yield increased sales with fewer sku's and less inventory," said Peter Hayes, president of the 174-unit toy chain, based in Avon, Mass.

The prototype store, which was quietly opened in Framingham during the past Christmas season, is a dramatic departure from the narrow aisles and high stock traditionally found at toy chains. The result is a brighter, more open and more accessible store with a new color scheme, new fixtures, wider aisles, revamped adjacencies in addition to power vendor-designed product displays.

Colorful hanging signs demarcate *the new Baby World section, which contains juvenile furniture and accessories.* (DSN photo)

"Our typical assortment ranges from 15,000 sku's to 18,000 sku's. The prototype has 8,000 sku's. In fact, we have many categories with a high reduction in sku's, yet sales are a greater percent of the store business because of the method of display and location of the product," Hayes explained.

The traditional long and high gondola runs have been redesigned into the shape of a cross (or "quad" fixture), with merchandise reclassified into "Worlds" displayed on each of the four sides. For example, the "Girls Block" was divided into dolls, fashion dolls, and Let's Play House. The "Boys Block" was divided into action figures, cars and trucks, and hobbies. In addition, vendors developed enclosed product displays (18 inches high by 48 inches wide) in several subcategories including Lego and Barbie.

"Lowering the gondolas [now 5 feet high] was a bigger hit with customers than we expected," said Hayes. "A customer is now able to stand at the entrance of each 'World' and view the entire assortment. Wide aisles through each department provide easy flow to other areas."

Several new departments were added

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MARKETWATCH

Office Depot's Daugherty Resigns

BOCA RATON, Fla. — Steve Daugherty has resigned as president of the office supply superstore chain, Office Depot based here, but will continue as a company consultant through July. Chairman and ceo David Fuente will add the title of president until a successor is found.

Ames Names Two Execs to Key Posts

ROCKY HILL, Conn. — Ames Department Stores has named former The Gap cfo Alan E. Zimtbaum senior vice president, finance and chief accounting officer, and also elected former Jordan Marsh ceo Elliot J. Stone to its board of directors. Zimtbaum, who served with The Gap from 1981 to 1989, was most recently cfo of Allez, a fitness apparel retailer. Stone, in addition to his role at Jordan Marsh, also served as vice chairman of Federated Stores and Allied Stores after the purchase of the Boston-based department store chain.

Revamped Hypermart USA Opens

KANSAS CITY — Wal-Mart, in a widely expected move, has modified its Hypermart USA operation with the opening in February of its fourth unit. The new unit, possibly presaging changes at the existing three stores, has a new name, Wal-Mart's Hypermart USA, and a new look, with more sku's, wider aisles and lower merchandise fixtures.

Telco Disconnects Houston Gateway

HOUSTON — Southwest Bell Corp., will shut down its SourceLine data gateway when the telephone service's one-year trial ends next week. SourceLine enabled about 16,500 Houston households using either personal computers or a dedicated U.S. Videotel videotex monitor to access 300 online providers of goods and services. U.S. Videotel, meanwhile, which ran the service for the telco, plans to offer its own expanded information network that has other interactive services to SourceLink customers and to households in surrounding markets in Southeast Texas.

Private Label Credit at Lechmere, Meyer

RIVERWOODS, Ill. — Sears Payments Systems Inc., is now the third-party processor of private label credit cards for 18-unit Lechmere and the jewelry and electronics divisions of 125-store Fred Meyer. Both chains were providing internal private label credit cards, although Meyer's extended only to its jewelry department. "The new program . . . will make shopping easier for our customers," said Fred Meyer senior vice president, jewelry and home electronics Ed Dayoob.

OW Office Warehouse to Double Size

VIRGINIA BEACH, Va. — OW Office Warehouse, plans to "at least double" its size by year end, according to Michael Rouleau, president and chief operating officer. The 14-unit office supplies superstore chain plans store openings in Amherst, Buffalo, Rochester (two), and Syracuse, N.Y., Harrisburg and Pittsburgh, Pa., Roanoke, Va., and Raleigh, N.C., during the first half of 1990. After that, additional stores are planned for Philadelphia, Hampton Roads and Richmond, Va., Durham and Charlotte, N.C., and Nashville and Memphis, Tenn.

Retail Systems Alert Sponsors Conference

NEWTON HIGHLANDS, Mass. — Retail Systems Alert will sponsor Retail Systems 90, a conference and exhibition covering three strategic retail automation technologies: decision systems, networking and store systems. It will be held at the Infomart in Dallas, May 22-24. Information: Retail System Alert, (617) 527-4626, fax (617) 527-8102.

HQ Premieres Canadian Operation

VANCOUVER, British Columbia — HQ Office International will become the second office supply megastore operator in Canada when it opens its first unit at the end of the month in Vancouver's Richmond suburb. The company, sister firm to Long Beach, Calif.-based HQ Office Supply Warehouse, plans to open at least four more megastores this year, two in Calgary, Alberta, next month, and two in Edmonton, Alberta, in May. The megastore concept in Canada was launched last fall by Office Supply Warehouse, an unrelated firm, which opened two units in Toronto.

Waldenbooks Opens New Chapter With Preferred Reader Program

STAMFORD, Conn. — Waldenbooks is turning up the heat on its competition with its new Preferred Reader program, designed to make the 1,555-unit book retailer the store of choice for people who buy books.

For a $10 annual fee ($5 during March), Waldenbooks is now offering 10 percent off every book purchase and a $5 coupon for every $100 of accumulated purchases.

In addition, Waldenbooks is offering members various customer services including rapid check acceptance, personalized mailings and a toll-free order number, among its enticements to sign up for the program.

The Preferred Reader program, which became effective March 5, is not available at Readers Market locations, which are the book departments that Waldenbooks operates for its corporate parent in many K mart stores.

For some of Waldenbooks' competitors, matching the program could be the equivalent of cutting their own throats as they try to match the industry leader and offer bigger discounts on books.

For some of Waldenbooks' competitors, matching the program could be like cutting their own throats.

However, in order to stay competitive with Waldenbooks, B. Dalton Bookseller, with over 800 stores, and Crown Books, with 250 units, will, reluctantly, offer similar programs. Their moves will effectively eliminate Waldenbooks' competitive advantage and may even jeopardize their quest for enlarging its market share.

"This program is designed for our customers," said Ron Jaffe, senior director of marketing for Waldenbooks. "We're not trying to get into war with anyone."

(Continued from page 76)

Jordache Renames Heck's; New Units Called L.A. Joe

NITRO, W.Va. — Jordache is renaming the Heck's stores it is buying L.A. Joe, after one of its apparel labels.

The apparel manufacturer expects to reopen some 60 stores as closeout units under the L.A. Joe name by the end of March, said Udi Toledano, an executive for Retail Acquisition Corp., an entity Jordache established to acquire the Heck's stores.

John R. Isaac Jr., now Heck's chairman, is the president of Jordache's venture into retailing, Toledano said. Leo Milewicz, now hard goods merchandiser for Heck's, will also shift to L.A. Joe in the same capacity.

For soft goods merchandising, Jordache appointed Alan Kilman, formerly of Syms, who will work out of New York. The merchandise mix of L.A. Joe will be about 70 percent apparel, Toledano said, and 30 percent hard lines.

Heck's was operating 55 stores when the acquisition was proposed in January. Since then, Jordache has taken over Heck's retail division and reopened one of dozens of stores Heck's closed while emerging from Chapter 11. Jordache expects to reopen at least four more for a total of 60 in time for the grand reopening under the L.A. Joe name.

Acquisition hinges on approval of Heck's stockholders, expected at its annual meeting next month. Heck's stockholders would get a 20 percent stake in the new venture. Failing approval, Heck's would lease the stores to Jordache on a long-term basis.

Divestiture would leave Heck's with only one operating asset, a wholesale automotives distributor called Steel City.

Drug Testing Not Required For New Drivers

By Deane Evans

WASHINGTON — Discount chains which operate their own truck fleets are no longer required to conduct drug tests for every new driver hired.

Under former federal anti-drug rules, employers are required to conduct pre-employment, periodic and "reasonable cause" drug tests of drivers for the use of marijuana, PCP, cocaine, amphetamines and opiates. The mandate which applies to interstate operators of rigs weighing 26,000 or more pounds went into effect Dec. 21, 1989, for employers with

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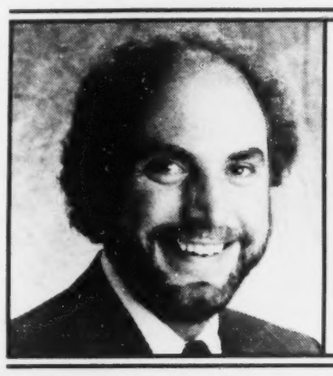
EDITORIAL

An Urgent Appeal to Corporate Citizens

The headlines in *Discount Store News*, or any business magazine, always focus on the "major" stories of growth or demise. For example, "K mart's Store Therapy: Oak Park Look to Revive Discount Stores," "After Drexel," and "Can We Have a Cleaner Environment and Pampers Too" recently appeared in *DSN*, *Business Week* and *Forbes*.

While these events are major business news, most publications devote little space to another aspect of almost every company in America—community service.



TONY LISANTI
Editor

Do you recall K mart's announcement last month about a grant of $25,000 to the National Council of La Raza? Probably not. There were no headlines, no hoopla. But dozens of students will never forget the help they got from K mart. (The seed-grant will provide funding to programs benefiting the Hispanic community.)

"Service has always had a special meaning—a meaning that goes beyond the traditional idea of keeping customers satisfied," wrote K mart chairman Joe Antonini in a special report to the community. "We define success not only in terms of how well we do as a company, but how much, as corporate citizens, we give back to the communities we serve."

Antonini makes an excellent point when he refers to the responsibilities of "corporate citizens." Execs at every retailer (or any business) across the country must realize the needs of their customers as well as their employees.

It doesn't matter whether a company supports health, education or the arts. What matters is that—despite the competitive business environment and rigors of the daily workload—America's retail executives HELP. Because a little help will touch the life of someone in need as exemplified by K mart's grant to the National Council of La Raza.

Since 1978, *DSN* has recognized the community service efforts of retailers with its DISC (Discounter in Service to the Community) Award. And now I urge the corporate citizens of retailing to share your community service efforts by entering the DISC award competition. Simply prepare an outline including promotional material describing your firm's community service programs during 1989. The deadline is March 31.

Remember this quote from Henry Wadsworth Longfellow, which appeared in K mart's community report: "Give what you have. To someone, it may be better than you dare to think."

BUYERS & SELLERS

Notes on IMRA, 'Nervous Nordies' and DSN

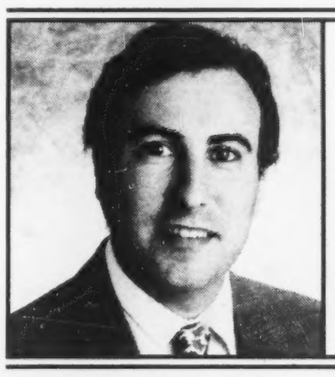
Ronald Reagan, Hodding Carter III, John McLaughlin. As usual, IMRA has lined up a sparkling list of guest speakers for its annual convention. This year's convention chairman, Larry Hochberg, president and ceo of Sportmart, has done a great job of designing a program around the theme: "Turning Point . . . A New Decade."

At the convention, keep an eye out for *DSN's* IMRA Show Daily. It's being expanded from one day to three days this year, and will provide showgoers with recaps of the previous day's seminars and events as well as a preview of the upcomming day's program.

IMRA's also to be commended for adopting a policy statement on environmental issues facing the discount store industry. IMRA's executive committee pledged to support "a broad-based, bipartisan approach to environmental responsibility in promoting environmentally responsible products and packaging and disposal of solid waste."

* * *

Excellent article recently in *Wall Street Journal* on "Nervous Nordies"—overworked and burnt-out Nordstrom sales associates. If conditions are even half as bad as described in the article, the company is being foolish for closing its eyes to the situation and for insisting that "our people smile because they want to." It's one thing to smile because you genuinely like your job and quite another to do so because there are secret shoppers walking around the store giving you demerits if they catch you not smiling.



DON LONGO
Exec Editor

* * *

It's the job of all reputable news organizations to cover controversial issues. Over the years, DSN has objectively reported and editorialized on most of the tough questions facing the industry and its individual participants. Sometimes that makes people angry; sometimes it makes them laugh. And it provokes thoughtful analysis of often complicated issues. If you've got an opinion about anything we write, don't sit back and stew. Write to us. We'd be happy to present alternative viewpoints (subject to editing for length) in our letters column. In fact, you could fax us your letter. Dial (212) 838-9487.

WASHINGTON REPORT

OSHA Reawakens After a Long, Deep Sleep

During the 1970s the U.S. Occupational Safety and Health Administration was a regulatory bully that intimidated employers with threats of stiff federal fines for minor infractions of workplace safety rules.

The tide turned in the '80s as the Reagan administration eviscerated OSHA and other regulatory agencies. Now the tables are turning again. Labor Secretary Elizabeth Dole has vowed to make workplace safety and health enforcement a top priority.

KEN RANKIN

Behind the born-again OSHA enforcement drive: evidence that U.S. jobs are becoming more dangerous. The most recent statistics indicate that the number of occupational illnesses is rising at a rate of 25 percent annually.

Separately, the National Safe Workplace Institute found that American workers are three times more likely to suffer a fatal on-the-job accident than their Japanese counterparts.

The Bush administration is beefing up efforts to protect workers. Significantly, this time around federal job safety inspectors won't be limiting their focus to contractors, manufacturers and other heavy industries. Discount stores and other retail establishments will be coming under tight OSHA scrutiny as well.

Indeed, the latest figures indicate that retail stores are among the leading industries in terms of total number of occupational injuries suffered by workers. Department store employees alone are reporting more than 145,000 job-related injuries annually.

If anything, retailers may have even more to worry about from congressional advocates of tougher job safety standards. In a recently introduced bill, the maximum penalty for a serious job safety violation would jump from two years in prison to 20, and relatively minor infractions would subject employers to fines of up to $10,000 per violation.

Moreover, the pending legislation would require company executives and officers to pay OSHA fines out of their own pockets—not with corporate funds.

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APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Cotton Tops In Men's Sweaters

Survey Reveals 'Less Expensive' Fabric Preferred

By Don Longo
Nationwide DSN Report

Cotton is king, according to 467 men and women shoppers who were asked what material they would prefer if they were going to buy a man's sweater.

Even among the consumers who wanted a blend of some kind, most expressed a preference for cotton blends.

In the nationally projectable consumer study conducted last month by Leo J. Shapiro & Associates for *DSN*, 28 percent of respondents said they would want to buy a cotton man's sweater, compared to 18 percent who preferred wool. About half of all respondents wanted a blend.

Among male shoppers only, 30 percent preferred cotton, compared to 23 percent who wanted wool. As might be expected, women shoppers, who buy men's sweaters, were more heavily disposed toward blends (60 percent), probably because of their ease of care. Still, 25 percent of the women shoppers wanted cotton in a man's sweater, compared to only 13 percent who said wool.

Cotton wins out in the head-to-head match-up against wool for a number of reasons. Consumers who prefer cotton do so because of its comfort. They cited the following reasons: they are allergic to other materials or wool makes them itch (41 percent); cotton is comfortable (24 percent); easier to care for (23 percent); lighter so you don't sweat (23 percent); it's soft or feels good (10 percent); and it's appropriate for all seasons (10 percent). Men particularly cited comfort, lack of itching and softness as reasons for preferring cotton. Women tended to like cotton's ease of care and that no blocking is needed.

Only 3 percent of respondents cited cotton because it's "less expensive" than other materials, an indication that the cost difference between wool and cotton is not a compelling reason for choosing the less expensive cotton.

Among those who preferred wool, most were men, by a 23 percent to 12 percent margin over women. The top reasons for wanting wool were: warmth (75 percent); durability (25 percent); it's a natural fiber (12 percent); holds its shape (11 percent); comfortable (9 percent); better quality (9 percent); and looks more expensive (6 percent).

The popularity of blends is directly related to laundry. Nearly half of the consumers who would want a blended man's sweater do so because it is washable or easy to care for. Other reasons cited for preferring blends were: doesn't shrink (26 percent); doesn't itch; keeps shape (13 percent); more comfortable (12 percent); and lasts longer (10 percent).

When asked what they would want the sweater to be a blend of, 61 percent of consumers said they would prefer cotton/acrylic. Few wanted wool/acrylic (19 percent) or wool/cotton (18 percent). Among men, half cited cotton/acrylic, compared to 24 percent for wool/cotton and 20 percent for wool/acrylic. Among women, nearly 70 percent wanted cotton/acrylic, compared to 17 percent for wool/acrylic and 13 percent for wool/cotton.

Most consumers expect to pay anywhere from $20 to $60 for a man's sweater. For those who want cotton, the most popular prices ranged from $20 to $40. The mean amount that cotton buyers would expect to pay was $37.10.

For those who preferred wool, the most oft-expected price points were spread thinly from $20 all the way to $80, with 6 percent even mentioning price points between $100 and $130. In general, the price expectations of men and women were about the same. The mean amount that wool buyers would expect to pay for a

(Continued on page 48)

Advantages of Cotton

Advantage	% of Respondents Who Preferred Cotton
Allergic to Others/ Wool Makes Me Itch	40.8%
It Is Comfortable	23.8
Easier to Care For	23.1
Lighter/Cooler	23.1
Soft/Feels Better	22.3
Good For All Seasons	10.0

Advantages of Wool

Advantage	% of Respondents Who Preferred Wool
Warm	75.3%
Last Longer Than Cotton or Blends	24.7
Natural Fiber	11.8
Keeps Shape	10.6
Comfortable	9.4
Better Quality	9.4

Advantages of Blends

Advantage	% of Respondents Who Preferred Blends
Washable/Saves Time Easy to Care For	48.6%
Doesn't Shrink	26.3
Doesn't Itch	26.3
Keeps Shape	12.8
More Comfortable	12.3
Lasts Longer	10.3

Source: Leo J. Shapiro & Associates/DSN, March 1990

If You Were Going to Buy a Man's Sweater, What Would You Want It to Be?

Material	All Respondents	Men Only	Women Only
Cotton	27.8%	30.2%	25.4%
100% Wool	18.2	23.4	12.9
Blend (net)	52.0	44.3	59.9
Wool & Acrylic	18.5	20.2	17.3
Wood & Cotton	17.7	24.0	12.9
Cotton & Acrylic	61.3	50.0	69.8

Cotton has supplanted wool as the material of choice for men's sweaters among all consumers surveyed, although nearly twice as many men than women still prefer wool. Among those who preferred a blend, the cotton and acrylic combination was the No. 1 choice.

Source: Leo J. Shapiro & Associates/DSN, March 1990

MARKETWATCH

Saks Opens New Outlet Store in Pa.

PHILADELPHIA — Department store chain Saks Fifth Avenue last month opened its first outlet store here in the Franklin Mills mall northeast of the city. Called The Clearinghouse, the store sells off-season merchandise, drawn from throughout the 46-store Saks chain, at below the normal Saks Fifth Avenue prices. The assortment is comprised of the same type and quality merchandise carried by Saks Fifth Avenue, including collections of designer and private label clothing for men, women and children, plus collections of accessories. Between seasons, apparel will be supplemented with additional merchandise to fill out the selection.

Nightshirts Don Dick Tracy Logo

NEW YORK — Foster Industries has recently acquired the Dick Tracy characters and logo licenses for use on men's nightshirts and loungewear. "When Dick Tracy springs from the comics to the screen in June of this year, Foster Industries will be ready with colorful, stylish nightshirts, featuring the Dick Tracy silhouette and logo," commented Mathew J. Tedesco, licensing director. "Other garments will feature Dick Tracy and Breathless Mahoney. The use of strong primary colors in artwork and packaging will create a unified, dynamic look at the point of sale to establish an instant identity with the expected blockbuster." The quality oversized nightshirts will be targeted for mass retailers, including both department and discount stores. The nightshirts, which are made of a 50-50 polyester blend, are designed so that one size fits all.

Fruitful Record Sales Posted

CHICAGO — Fruit of the Loom reported record sales of $1.32 billion, which is an increase of 31.5 percent over 1988 sales of $1 billion. Operating earnings were a record $264.4 million, compared to $200.6 million a year ago. Earnings from continuing operations for 1989 increased to $72 million, which was 42.3 percent more than the previous year excluding a special item related to the sale of the company's investment in tax benefit leases. In a press release distributed by the company, William Farley, chairman and chief executive officer, said, "Fruit of the Loom has enjoyed another record year in 1989, with increased sales in both the underwear and activewear product lines. Activewear sales in the fourth quarter of 1989 exceeded activewear sales of any quarter in 1988."

Men's Wear Favorites Reappear at MAGIC

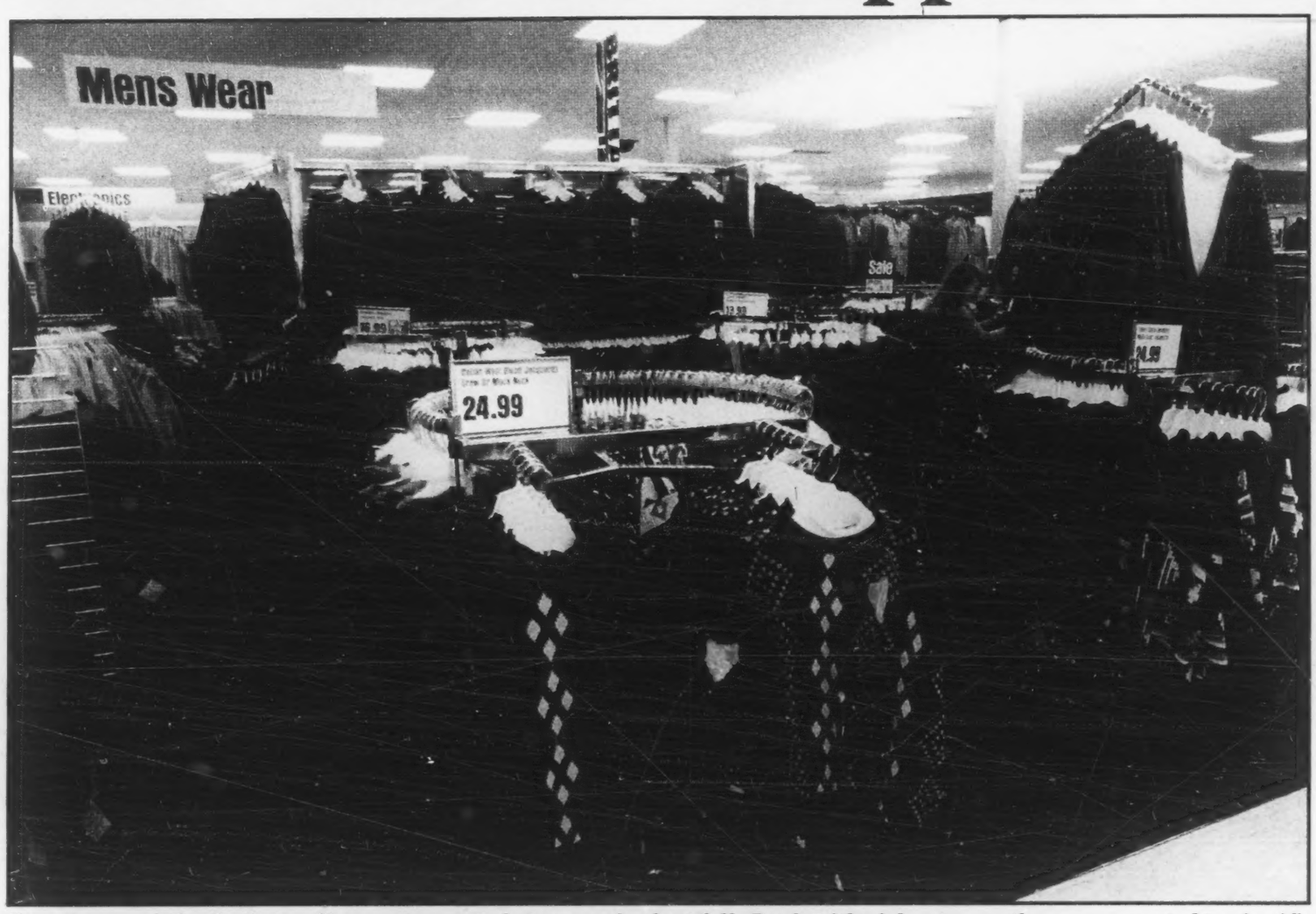
Leather Trims, Turtlenecks, Fleece Strong

By Pamela Meek
Nationwide DSN Report

Discounters at the upcoming Men's Apparel Guild in California (MAGIC) show this month expect many of the past season's holiday trends to once again be significant sales contributors to their men's department figures.

Coming off a competitive and promotional Christmas, men's sales were only adequate at many discounters. However, most buyers agreed there were a few stellar performers. Given a few fresh updates, it is these items again that many discounters believe will be important.

Overwhelmingly, buyers said sweaters were strong sellers this past fall, especially cardigans. Heading into fall 1990 discounters expect sweaters to again be strong as newness is added with deeper and richer tones.



***Sweaters, particularly cardigans**, generated strong sales last fall. Back with richer tones, they are expected to significantly contribute to sales again in fall '90.* (DSN photo)

Leather outerwear was also a good seller for many chains and is expected to once again be popular this fall. Discounters said that both all-leather men's wear jackets and outerwear featuring leather trims should sell well.

Popularity of Fleece

The popularity of fleece was apparent at many chains during the holiday selling season, as college and NFL prints led sales in the area. New design patterns and logos, more brand names and a greater selection in heavier weight fleece is expected to keep the category in the forefront of customer desirability.

Other key items buyers said should continue to sell well this fall are turtlenecks, mock turtlenecks and fashion jeans in different washes and treatments.

Discounters will be looking to confirm these trends and discover others at the MAGIC show, held in Las Vegas next month from March 7 to 10 at the convention center. The last MAGIC show in October marked the first in Las Vegas since the move from Los Angeles. While there was some speculation that buyers would not like the move, most discounters said they actually preferred the new setup.

Yet this time several discounters said they would also make a stop in Los Angeles. While some tried to forgo the Los Angeles leg in October, many admitted that the area is still crucial for spotting hot merchandising and apparel trends.

Fewer Buyers at MAGIC

Many discounters, however, said they will have fewer buyers at MAGIC this time compared to October, since the fall show is not as significant as the spring/summer presentation.

Secaucus, N.J.-based Jamesway expects to have some six buyers on hand for the show while Ames will send 12 people from its Rocky Hill, Conn., base. For Ames, this number is down by a few people, since the company no longer has a separate urban division (Zayre), which had its own buyers.

According to Ames vice president and general merchandise manager of men's and boys' wear Chuck Rilling, the chain's entourage that is heading to the MAGIC show will "look for trends and firm up any adjustments in its assortment." Rilling said the buyers will also do some purchasing, in addition to looking for special values.

Hills expects to complete some fill-in business at MAGIC. But, the primary focus of the Canton, Mass.-based chain is to confirm and review what it has already scheduled for fall, according to vice president of men's and children's wear Dick Gully. Gully said the chain will be sending about 10 executives to the show, and that some of these buyers will also then go on to Los Angeles to shop the stores.

Not only will discounters be visiting with existing vendors, but also several new mass market players. As department store sales continue to suffer at many chains, many long-standing upstairs brands are now also serving discounters.

Just recently, Bonjour International announced the introduction of a men's and boys' wear collection of sportswear and jeans that is aimed at both department stores and mass market retailers and discounters. While Bonjour International is not forsaking its department store origin, the company has realized the potential for added volume by also selling its new line to discounters.

Other companies, such as Brittania and Lightning Bolt, have given up the department store level altogether and are working directly with the mass market.

Survey Reveals Cotton Is Fabric Preferred in Men's Wear Sweaters

(Continued from page 43)

man's sweater was $54, about $17 more than those who would buy cotton.

The prospects for a good year in sweater sales seem bright. Sixty-one percent of all consumers queried said they definitely or may be buying a man's sweater in the next 12 months. Fifty-five percent of the male respondents said they'd be in the market for a sweater this year, while 67 percent of the female respondents said they'd be likely to buy a man's sweater this year. A disproportionately high percentage of female shoppers (39 percent) said they "may be" buying a man's sweater in the coming 12 months, raising the possibility that these women could be lured to buy on impulse with the proper in-store merchandising.

If prospects for strong sweater sales appear good this year, the outlook for *cotton* sweater sales is even better. Sixty-two percent of consumers who prefer a cotton man's sweater said they would definitely or maybe purchase one in the coming year.

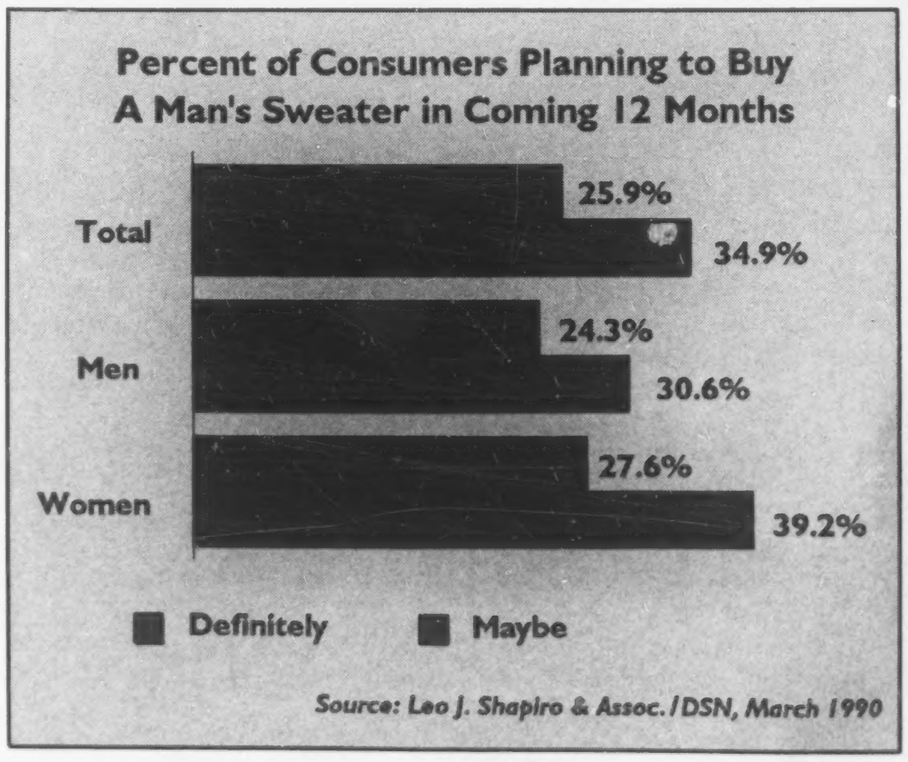
Overall, one out of four consumers in the market for a man's sweater over the next year named a discount department store as their first or second choice to make their purchase. That percentage is comparable among both men and women consumers.

Sears, however, remains the first choice of consumers who said they will definitely or maybe purchase a man's sweater in the coming year. Twenty-two percent of consumers in the market for a man's sweater said they'd likely buy it at Sears. JCPenney was the second most popular choice of outlet for a man's sweater, with 12 percent of consumers choosing the soft lines upscale mass merchant.

Twenty-four percent of consumers in the market for a man's sweater mentioned any of several upscale department stores, such as Dillard's, Nordstrom, Hudson's, Macy's, Neiman-Marcus and the like. Macy's, with 4 percent of mentions, garnered the highest percentage of consumers in this group. No other full-price department store received more than 2 percent of consumer mentions.

Discount department stores as a group received 11 percent of mentions as the first choice of retail outlet. Not surprisingly, K mart led this group, garnering 5 percent of mentions as the store of first choice among consumers looking to definitely or maybe buy a sweater in the coming 12 months. The fact that Sears and JCPenney appear to be the main competition to discount stores for men's sweater sales may make it easier for discounters, especially upscale discounters, to expand market share in the category.

Only 3 percent of consumers said they would likely buy a man's sweater in an off-price specialty apparel chain.



Kmart Launches Drive to Revive Discount Stores

(Continued from page 1)
tion program that is revamping its stores into a collection of specialty stores. Previously, Montgomery Ward undertook a similar revitalization move. Wal-Mart continues its torrid growth program, narrowing the sales gap between itself and K mart, with many trade observes even speculating that the company will become the largest retailer in sales within the next two years. Target, meanwhile, has strengthened its fashion merchandising focus as well as bolstering its position in markets like the Pacific Northwest and Michigan entered during the past few years.

The $2.3 billion capital spending program will be used for new stores, fixtures and other physical structures. It doesn't cover merchandise nor any expenses incurred for the store closings, enlargements or refurbishments, asset write-offs for furniture and fixtures, settlement of leases and other non-recurring charges that will result from the rebuilding effort.

K mart Takes $640M Charge

K mart has taken a one-time $640 million pretax charge against last year's results to cover these non-recurring expenses. This charge, expected to total about $422 million after taxes, could result in the company reporting little or no net income, or even a loss, for last year when 1989 fiscal results are announced.

The one-time charge is separate from the $2.3 billion program. The corporation doesn't anticipate turning to any outside direct financing to fund the capital spending program, a spokesman said. "No financing plan has been set aside for the program."

The company has budgeted about $800 million in overall capital spending in 1990, with only about $350 million directly related to the $2.3 billion revitalization program. This means about $2 billion will remain to be spent during the subsequent four years.

The remaining approximately $450 million from the 1990 capital spending plan will be spent on completing the installation of POS terminals, other retail automation systems and a satellite network chainwide for the K mart operation, along with opening and refurbishing stores for its specialty chains—Pace membership warehouses, Waldenbooks, Payless Northwest, Builders Square, Sports Giant and K mart Canada.

Prior to committing to its rebuilding program, K mart tested the viability of its look of the '90s through the opening of the new store in Oak Park, Mich., and the refurbishing of the Rochester, Mich., unit last fall (see *DSN*, Sept. 4, 1989, page 1), and then followed up by remaking the Virginia Beach, Va., store.

The discounter took a "zero-based budget" approach to designing the new prototype, the spokesman said. "We said let's forget what a K mart looks like and instead focus on how would we design a discount store today, what would we want the store to look like, what fixtures, adjacencies and merchandise would we want?"

The three ground breaking stores picked up a number of concepts used in American Fare like fixtures on wheels for flexible displays and easy replenishing of goods, along with other ideas like shelving that holds full-pack quantities to cut down the need for stockroom space.

The stores also used new signage and graphics to more sharply delineate departments. Brand names were played up to make shoppers more aware of the discounter's growing focus on brands.

Antonini, in announcing the $2.3 billion program, said customer acceptance of the Oak Park Look "has been very good, and sales results have exceeded expectations."

The "Look" has now become K mart's prototype, used for all new stores. All older stores as far as possible will be remodeled to reflect Oak Park's presentation and merchandise atmosphere. Fine-tuning of the Oak Park Look will be ongoing, the spokesman said.

K mart projects opening 250 new discount stores, but its physical rebuilding actually involves more than double that number of new units: another 280 structures will be built from-the-ground-up as sites for relocated stores, while 620 units will be enlarged from about 75,000 square feet to an average of 86,000 square feet.

A total of 1,260 will be refurbished to a greater or lesser degree with the Oak Park Look. Another 30 stores will be closed, so K mart will have a net gain of 220 stores by the end of 1994 to reach about 2,380 discount stores.

While 30 discount stores will be shuttered, some closings could also take place among the K mart's specialty store chains except Pace, which will grow dramatically as a result of new wholesale clubs and the conversion by mid-July of the former Makros.

K mart hasn't decided what it will do with the excess footage that will result from the conversion of the large Makros into Paces. The first remake will be of the smaller Markos in Flint, Mich., Toledo, Ohio, and Burlington, Conn.

The K mart rebuilding program doesn't address the company's plans for two other discount store ventures: the two Super K combination food/general merchandise stores and the American Fare hypermarket. These stores are ongoing experiments being closely studied by the company, the spokesman said.

No new Super Ks have been announced, but a second American Fare will open in the spring in Charlotte, N.C., as a scaled-down 160,000-square-foot version of the concept first probed in a 240,000-square-foot store in Stone Mountain, Ga., opened a year ago.

Waldenbooks Debuts Preferred Reader Program

(Continued from page 6)
For Harry Hoffman, Waldenbooks president and chief executive officer, the Preferred Reader program was designed "to provide customers with value-added services that will make Waldenbooks the preferred store for book buyers."

How successful that quest will be for Waldenbooks is unknown. B. Dalton Booksellers had been testing a preferred reader program of its own for over a year in 30 of its stores in Dallas. And its 24-unit Bookstop division has had a membership card similar to Waldenbooks for years. Both failed to produce convincing results, said Leonard Riggio, who co-owns and runs the company.

"If there was clear evidence it was successful, we would have rolled it out nationally. But we found you lose more in discount than you pick up in increased sales," said Riggio.

Crown Books said if Waldenbooks' new discount program really does provide added value to customers it will offer a program that provides "an even better value," said president Robert Haft.

A much smaller book retailer, Encore Books, the 48-unit discount book store division of Rite-Aid Drug Stores, will not react to Waldenbooks' new program, said Brian Weese, general manager.

Weese said Encore already discounts books at levels Waldenbooks is now implementing and won't lower prices further or add a preferred readers program of its own.

The crux of Waldenbooks' Preferred Reader program is its data-based marketing, said Jaffe. Waldenbooks will now store buying habits information on each Preferred Reader via a customized and bar coded membership card used in each transaction.

Personal information on the frequent customer, such as favorite topics, is also obtained when the customer registers for the program. All information is stored in Waldenbooks new computer system.

Waldenbooks developed its own software program to extract and store customer profile information, said Jaffe. The information will be used to track customer purchases and for direct mailings and special buying programs.

Exactly how much the new program will impact the bottom line at Waldenbooks Jaffe would not say. Nor would he comment on projected sales increases from the program. Yet, from just the annual membership alone, the payback could be tremendous.

Currently, Waldenbooks maintains a preferred readers list of 3.5 million customers. They are members of Waldenbooks' science fiction, romance, mystery, 60+ and kids preferred reader programs.

With the official beginning of Preferred Readers March 5, Waldenbooks will offer only one preferred readers program. Existing members can convert their membership at no charge to the new program for the first year, or remain in their existing program. However, no new members to the old programs are being accepted, said Jaffe.

Only members in the 60+ program become lifetime members when they pay the $10 fee.

Retail book sales for 1989 were estimated to be $9.6 billion, up from $8.6 billion in 1988, according to the Book Industry Study Group. For 1990, book sales through all general retailers is estimated to total $10.8 billion.

Child World to Add 9 Stores in '90

Chain to Test Viability of Prototype Format in New Stores

(Continued from page 1)
including: juvenile apparel, a 1,000-square-foot department with basic infant and toddler clothing; the Disney Shop, featuring an assortment of Disney clothes and toys; and porcelain dolls.

Redesigning Departments

In addition, several other departments were redesigned and relocated. The electronics area was redone as a separate enclosed department to improve security. New displays and fixtures were introduced for video game hardware and software, computers and videotapes. The juvenile furniture and accessories department was renamed Baby World and was moved to the rear center of the store. In the plush department, separate bins for each kind of animal were created to improve presentation and backup stock.

Another key consideration for the prototype's design, explained Hayes, was to make it more appealing for mothers and their children. A kid-size door was added to the entranceway, child care tables were added to rest rooms, infant seats were added to shopping carts, and small rides and a popcorn cart were added to the front of the store.

A new color scheme and a graphics were added throughout the store.

Hayes said sales have been "strong" since the prototype opened but he did not go into specifics.

"We still have many formidable challenges ahead, including learning how to properly operate and replenish a store of this type," Hayes said. However, he is confident that this "store of the future will lead the company into the '90s."

Overall, about 12 stores are slated for complete remodels during '90, 75 percent of which will be converted to the Framingham prototype. Also, about 10 to 15 new stores will be opened during the year with most of them using the new format. A comparable expansion plan is projected for the years beyond 1990.

Hayes would not disclose specific locations scheduled for renovation or specific markets slated for new stores. But he said the new stores will be clustered within existing markets.

At presstime, Child World had not released fourth quarter sales results. As of the third quarter ended Oct. 28, 1989, net sales rose a modest 2.1 percent over last year, from $154.2 million in 1988 to $157.3 million last year. The net loss for the third quarter was $4.1 million, compared with last year's loss of $3.3 million. According to Hayes, the fourth quarter generates over half of the firm's sales and all of its earnings.

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Caldor Employs 'May-less' Look

Remodelings Key To Achieving Self-Sufficiency

By Tony Lisanti

BRICKTOWN, N.J. — Like the astronauts of the space shuttle Challenger, Caldor executives Don Clarke and Marc Balmuth have a specific mission to accomplish. That mission is survival without The May Cos.

The remodeled store that was reopened here in this New Jersey shore community last month exemplifies the key components of the Norwalk, Conn.-based discount retailer's "May-less" strategy.

***Left: Caldor's chairman** Don Clarke (l.) and Marc Balmuth, president, in the recently remodeled Bricktown, N.J.,store. Right: Lawn and garden has been upgraded into a power department, featuring new fixtures to make handling and stocking easier.* (DSN photos)

"The key is remodeling," emphasized chairman Clarke. "Another emphasis is on replenishment. Caldor has had very low level systems until now."

Clarke also identified technology, customer service and "trend merchandising" as other important elements of the chain's growth plans.

The Bricktown site was the sixth store to get a facelift which includes improved adjacencies, and a new color scheme, signs and logo.

"The first five were not as good as this one," admitted Clarke, who also said that 10

(Continued on page 71)

The MAGIC of Brands, Shops

By Pamela Meek

LAS VEGAS, Nev. — More brand names and shop-within-a-store concepts were the two dominant themes for discount store merchandisers at this month's MAGIC (Men's Apparel Guild in California) show.

The growing proliferation of discounter-oriented brand name apparel was much in evidence here as more manufacturers continue to leave behind their department store roots.

The switchover is not surprising, since many longtime "department store" brands have been abandoned by that retail sector in favor of private label products. At the same time, department

(Continued on page 72)

***From left:** Bob Floum, John Jamison and Andy Hess of Fisher's Big Wheel attended show.* (DSN photo)

Kmart Turns Its Attention On Specialty Store Growth

By Don Longo

TROY, Mich. — K mart Corp., has now turned its attention to its specialty stores.

Last month, the nation's leading discounter announced a five-year plan to spend over $2.3 billion to modernize and refurbish its core discount store division. This month, it took steps to ensure the continued growth of its specialty retailing division.

Wayne H. Patterson, the executive who helped establish Pace Membership Warehouse as one of the leading players in the wholesale club industry, was appointed executive vice president, specialty retailing earlier this month. A certified public accountant, Patterson previously served as managing partner of Touche, Ross & Company.

Patterson, 44, will be responsible for Pace, the 47-unit wholesale club chain that K mart acquired last November, Pay Less Drug Stores Northwest and Waldenbooks Company. He will report directly to K mart chairman and chief executive officer Joseph Antonini. Pay Less NW and Waldenbooks previously reported to Antonini.

***Wayne Patterson**, Pace's new executive vp, specialty retailing.*

Larry M. Parkin, K mart's executive vp for warehouse and grocery operations, will retire in January 1991. American Fare, Builders Square, Office Square and Sports Authority will continue to report to Parkin until his retirement. At that time, Patterson will assume direct responsibility for all specialty retailing.

(Continued on page 72)

Over-Inventoried Zayre Eating Ames?

By Pete Hisey

ROCKY HILL, Conn. — Has Zayre run away with Ames? According to one major vendor, the nation's fourth-largest discounter has canceled hefty orders of late and has "lost control of its inventory," in the former Zayre stores, apparently due to problems with its new IBM computer system.

Ames' chief financial officer, Duane Wolter, while confirming canceled and delayed orders, contended that Ames is back on plan. "As we reported in January, we're overinventoried, and we've made a commitment to get back on track by April," he said. "Therefore, we've canceled some orders and delayed others." The inventory glut resulted from poor fourth quarter and holiday sales at former Zayre stores, he added.

"We have worked closely with vendors and kept them informed about our strategy," Wolter continued, adding that he expected some disappointment as orders are canceled.

As for the new computer system at Zayre stores, Wolter noted that the rush last fall to reopen former Zayre stores resulted in a huge increase in drop-ship-

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MARKETWATCH

Target Sales Rise 19% to $7.5 Billion

MINNEAPOLIS — Target posted its 15th consecutive year of record operating profit, with a 32 percent increase over 1988. It attributes results to strong sales growth (19 percent overall, 7 percent in comparable stores) to $7.5 billion, improved margin and operating expense rates. Target's $449 million in operating profit represents nearly 46 percent of total Dayton Hudson Corp.'s operating profits.

Office Depot Enters Ohio, Mississippi

BOCA RATON, Fla. — Office Depot opened five stores in one day earlier this month, two marking the office supply superstore's entry into its 13th and 14th states: Ohio (Dayton) and Mississippi (Jackson). The other sites are in current Office Depot markets, Margate (Miami), Fla., Madison (Nashville), Tenn., and Dallas. The expansion came as the chain reported record sales and earning last year. Volume tripled from $132 million to $314.6 million while net earnings jumped from $3.8 million (which included $2 million from life insurance proceeds) to $6.5 million.

Herman's Names Robert Corliss CEO

CARTERET, N.J. — Herman's, the nation's largest sporting goods chain, has a new ceo, Robert Corliss. Previously of Best Products, Corliss replaces David Bloom, who resigned. Isosceles PLC, its new British parent, said last year that it was putting Herman's on the block.

Tampa Tribune's DiSalvo Honored

ST. PETERSBURG, Fla. — WORKplace, the five-store office products chain based here, presented "1 million shares of good will" to Tony DiSalvo of the *Tampa Tribune* for his assistance in developing a retail marketing strategy for the start-up chain. Director of advertising Dean Marcarelli made the presentation, which also included a limited edition MontBlanc pen and a letter of recognition from Stephen Westerfield, WORKplace president, comparing the *Tribune*'s efforts to the best of any national daily.

Tony Bennett Announces Gitano Winner

Jennifer Lynn Pracht

NEW YORK — Jennifer Lynn Pracht of Mt. Pleasant, S.C., was the winner of Gitano's 1990 Model Search. The teenager was one of 15 finalists, aged 14 to 18, chosen from among over 7,000 entries across the country. The finalists participated in a fashion show/model competition held here at the Palladium March 14. Singer Tony Bennett, who croons the theme song to Gitano's 1990 advertising and marketing campaign that focuses on the "Spirit of Family," made a surprise appearance to announce the winner.

Best Products Opens Outlet

Oklahoma City Greets Best Bargains Clearance Center

RICHMOND, Va. — Best Products has opened an outlet store in Oklahoma City called Best Bargains to sell the cataloger's clearance items and reconditioned merchandise as well as act as a pickup center for regular goods ordered through its Tele-Mail system.

The store, which sells outlet merchandise at 25 percent to 50 percent off Best's regular prices, is the clearance center for the cataloger's 45 Midwest showrooms. The stores send this merchandise to Best's Dallas distribution center, which ships the goods to the clearance center.

"We feel our distribution system is sophisticated enough to receives and tranship the clearance goods and the additional handling is a minor issue," according to a company spokesman.

The cataloger doesn't have any current plans to open outlet stores to process goods from its other 149 showrooms. Each of these Bests merchandises its owns clearance items and scratched, dented and reconditioned goods.

While Best's in-store disposal of clearance and reconditioned goods works, "their primary responsibility is to focus on selling current merchandise and we prefer that they don't have to deal with dented and scratched goods," he added.

Best picked Oklahoma City for the 30,500-square-foot (25,000-square-foot selling space) Best Bargains because:

- The city was an isolated market so the outlet store's deep discount prices wouldn't compete with any Best showrooms.
- The city was close to the Dallas DC so that both clearance items and regular catalog goods could be quickly shipped to the store.

Best Bargains is a recycled McCrory in the Redding Shopping Center, a strip center on Western Avenue across from a Sears and a Target in southwestern Oklahoma City.

The clearance and reconditioned goods are culled from Best's five core categories: jewelry, housewares, consumer electronics, sporting goods and juvenile.

Best Bargains also houses a Tele-Mail center where shoppers can place a telephone order for merchandise from Best's catalog and have the merchandise delivered to their home or else pick up the items at the store.

Glass Becomes Big Wheel At Fisher's Discount Stores

Robert B. Glass

NEW CASTLE, Pa. — Robert B. Glass, former president of Gold Circle Stores, has been named vice chairman and chief administrative officer of Fisher's Big Wheel Discount Department Stores.

Glass headed Gold Circle, the discount department store division of Federated Department stores, until it was dissolved and sold in the summer of 1988 after Federated was acquired by Campeau Corp. Under Glass, Gold Circle had attained a reputation as being an innovative fashion-forward, upscale discounter that struggled to achieve profits under Federated's control. Prior to Gold Circle, he was an executive at Macy's.

At Big Wheel, a regional discounter with stores in Ohio, Michigan, Pennsylvania, Indiana, New York, Connecticut, West Virginia and Rhode Island, Glass will be responsible for store operations, finance, information systems, loss prevention, transportation and distribution.

Vendor Alleges Blackmail

LIMA, Ohio — The Federal Trade Commission is reportedly investigating a manufacturer's claim that he was asked to pay $25,000 in "commercial blackmail money" to a retailer in order to keep the account.

Gerald D. O'Connor, president of Range Kleen Manufacturing, based here, told *DSN* that he contacted the FTC about a month ago after a "retailer requesting $25,000 to keep Range Kleen products in existing stores, as well as putting the products into 307 stores that the retailer had just acquired."

O'Connor declined to name the retailer or the person who asked him for the money. He said disclosing too many details of the case while it is being investigated would not be "prudent."

(Continued on page 71)

Official Balloting Begins For Annual Program

NEW YORK — The first ballot for the 1990 SPARC (Supplier Performance Awards by Retail Category) program has officially begun. *Discount Store News* publisher John Failla announced that ballots have been sent to top buyers who will nominate suppliers they believe have done an outstanding job servicing the needs of discount retailers.

The second phase of the ballot process is conducted among merchandise managers to determine first, second and third place awards in the 20 merchandise categories.

Frank Bisceglia

The 13th annual gala SPARC awards banquet will be held Sunday, Aug. 13, at the Downtown Chicago Marriott. For details, contact John Failla, *Discount Store News*, 425 Park Ave., N.Y. 10022, (212) 371-9400, ext. 219.

Frank Bisceglia, senior vp, merchandising, Service Merchandise, is one of three new retailers named to the SPARC Awards Committee.

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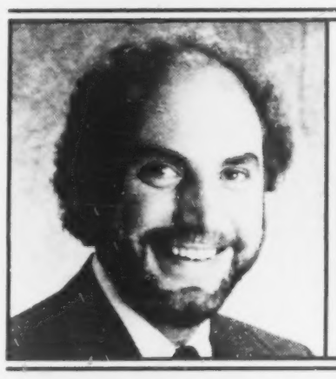
EDITORIAL

Inconsistency Is a Maddening Problem

I spent the better part of day recently at a newly reopened and remodeled Caldor store in Bricktown, N.J. The store represents the Norwalk, Conn.-based discounter's "May-less" strategy to bolster sales and strengthen its position in competitive markets throughout the Northeast corridor.

The Bricktown store, which was reopened after a fire late last year, was impressive—bright new colors and signs, new logo, new fixtures, revamped adjacencies. Overall it was a neat and exciting look, and most important, the store was well-stocked, a big problem for Caldor in the past.

As I walked the store with Caldor executives Don Clarke, Marc Balmuth and Bob Schauman, I listened attentively as they explained life after May. I was impressed with their plans, their ideas, their commitment, their sincerity, and their new store (see story, page 1).



TONY LISANTI
Editor

But, like, Scott Ostler, a columnist for *The National*, the new daily sports newspaper, I'm mad! Here's why: After I left Bricktown, I visited the Caldor store in West Paterson, N.J., which was also remodeled recently, to make a comparison and to see if this store was consistent with the "May-less" plan outlined by Clarke and Balmuth earlier that day.

In his column, Ostler asked and answered the question "What am I mad about?" Well, unlike Ostler, I'm not mad about Jim Valvano and N.C. State or Don Fehr and the baseball "lockout," I'm upset about the inability of discounters to maintain consistency throughout their stores. And every executive, store manager, clerk, and customer should be mad too. From Bricktown to West Paterson, there were out-of-stocks, unkempt aisles and displays and poor service. But, then again, Clarke admitted "We're not as good as we want to be, but we're methodically going about it, item by item."

Don't sit back and say "I'm glad he's not writing about *my* chain." Because this scenario applies to almost every retailer on *DSN's* top 150 list. In recent months, I've experienced lapses in consistency at K mart, Target, Ames, Bradlees, etc., and yes, even Wal-Mart and Toys "R" Us, which have earned reputations as "cookie cutter" concepts.

If I can order a McDonald's Big Mac that is exactly the same whether I'm in New Jersey or California, then why can't I go into discount stores that are only a few miles apart and get the same sale item or the same level of customer service?

Why is consistency so important? Because things like stock, service, and store design—or the lack of them—impact the bottom line. They drive customers away. And unfortunately many retailers can't drive away any more customers then they may have done already.

Caldor admittedly has more progress to make in its turnaround strategy and separation from May. But plans must be implemented in *every* store for an entire chain to succeed.

IMRA PRESIDENT'S CORNER

A Blockbuster Convention Awaits Discounters

The key event each year for the IMRA and the discount industry is the Annual Convention. This year's confab will be held in San Diego, Calif., at the Marriott Hotel and San Diego Convention Center from May 12 to 16.

Headed by Sportmart's Larry Hochberg, the retailer committee has put together a blockbuster of a convention highlighted by such speakers as former President Ronald Reagan, NBC's The McLaughlin Group, "Today Show" weatherman Willard Scott, PBS' Hodding Carter, futurist Marvin Cetron, football Hall of Famer Terry Bradshaw and headline entertainer Kenny Loggins.

Each year it becomes more difficult to "top" last year's program, but with the able assistance of the IMRA Associate Member Committee, chaired by Joe Clary of L'Eggs, this year's program looks like it will take the prize, hands down!

RICHARD HERSH

Breaking news issues will be the focus on the Sunday afternoon presentation of The McLaughlin Group, with the usual wit, sarcasm and insightful comments that have become a hallmark of this lively and unrehearsed television program.

On Monday morning the IMRA will present a look into the future needs of retailers in the discount industry. A presentation by du Pont will show you what the consumer's expectations are, have been and what they will be. Following this presentation, will be the first of a series in the IMRA/Associate Member Partnership Programs. With Jack Shewmaker as the presenter and with an update of the Ambassador Card Consumer Study, this session promises to bring special insights into how retailers and their vendors must work together in the future.

Following these presentations is a very special President's Roundtable Discussion moderated by John McLaughlin and focusing on the morning's program.

Of course, nothing needs to be said about Monday afternoon's speaker, President Ronald Reagan.

Tuesday's programming will be no less dramatic: A look into the future of technology and consumers by Marvin Cetron; two special concurrent sessions, one dealing with the impact of the environment and environmental responsibilities of retailers, and the other dealing with the "New Retailer/Vendor Partnership."

Following a luncheon presentation by former State Department press secretary Hodding Carter, there will be a program on another hot issue, "Everyday Low Pricing vs. Sale Pricing," presented by Ohio State University.

Add in the special programs like personal finances for spouses, trips to the world famous San Diego Zoo, the annual IMRA/Newell bash on Monday night, the IMRA marketplace of goods and services to the industry and the closing banquet, featuring one of the most exciting entertainers today, Kenny Loggins, and you have just about the perfect mix of social, business and fun activities.

Look in your mail for updated literature or call IMRA in New York for further information.

READERS' REPLY

Dear Editor:

On behalf of the Hobby Industries of America, I applaud Mary Ellen Kelly's article, "Discounters Poised to Exploit Growing Crafts Craze" (*DSN*, Feb. 12). Rarely have I had the pleasure of reading an article both so timely and so accurately crafted. The questions Ms. Kelly posed to me as she was researching the article clearly reflected that she had done her homework prior to conducting her interviews.

The craft industry is indeed emerging, in the words of the article's opening paragraph, ". . . as the next home fashion-oriented categories primed to be exploited by mass merchants." Since the beginning of 1990, both K mart and Montgomery Ward have made known their re-entry to this growing, lucrative market. While nationwide manufacturing is experiencing slumping sales, craft manufacturers are profiting from an increasing demand for their merchandise, an expansion of investment dollar directed into the industry, and a growing base of retailers anxious to merchandise craft product.

If, as is often said, the January HIA Trade Show is a bellwether of the year to come in the craft industry, then industry expansion has only begun to be felt. The show, the largest in HIA's 50-year history, occupied over 300,000 square feet of exhibit space. We had to disappoint dozens of manufacturers whose requests for booths we were unable to fulfill due to space limitations.

Discount Store News has captured the moment with its report on an industry poised on the edge of phenomenal growth.

—Susan Brandt, director of communications
Hobby Industries of America, Elmwood Park, N.J.

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We welcome our readers' views, whether pro or con. Letters to the editor should be addressed to: **Editor, *Discount Store News*, 425 Park Ave., New York, NY 10022.**

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Kids' Brands Grow On Chains

Discounters Strive to Keep on Top Of Changing Definitions of Value

By Jill Lettich
Special to DSN

Recognizable, national branded names are winning over consumers buying children's wear, but value remains the deciding factor in the market, according to discounters.

With demographics showing older parents having a first and often only child, and grandparents living longer, more money than ever is available to dress up the little tykes. Discounters are riding the fine line between capturing these consumer dollars and still offering the best bargain.

Brand names, fashion and quality are growing concerns for discounters, as they try to balance the value equation. What has changed, according to a number of retailers, is the definition of value. It no longer refers to price alone but encompasses the characteristics of fashion and quality as well.

"It's been beaten to death, but fashion at a price is still the major concern," said Chuck Rilling, vice president, general merchandise manager, men's, children's, infants' and toddlers', Ames Department Stores, Rocky Hill, Conn.

Brand names in general inspire confidence and the feeling that consumers are getting quality merchandise. David Potter, vp, gmm, Prange Way, Green Bay, Wis., noted that in infants' and boys' it is especially important, while for girls', fashion is a more vital characteristic.

"We're really in a fashion cycle right now, so that is what's selling. We're

(Continued on page 55)

***Children's wear at K mart, Oak Park, Mich.:** Store managers believe that while brand names command consumer confidence, the category is still very price-sensitive.* (DSN photo)

Shoppers Prefer Discount Stores for Kids' Wear

Nationwide DSN Report

More consumers shopped discount department stores for children's apparel last year than any other type of retail outlet. However, Sears was the No. 1 source of children's clothing among American consumers, according to a nationally projectable survey.

The survey, conducted for *Discount Store News* by Leo J. Shapiro and Associates, the Chicago-based market research firm, revealed that the leading individual retailers for children's apparel are, in order, Sears, JCPenney, K mart and Wal-Mart.

Overall, discount department stores, including K mart, Wal-Mart and others, were shopped by 29 percent of consumers last year, the largest single category.

Where Boys', Girls' and Infants' Clothes Are Purchased

	Past Year	Next Year
Discount Stores (net)	28.8%	25.9%
K mart	8.9	9.7
Wal-Mart	7.0	7.6
Sears	20.9	20.5
JCPenney	13.6	12.9
Department Stores (net)	20.9	20.5
Apparel Stores (net)	9.9	8.3
Children's Clothing Stores (net)	8.6	7.6

Source: *Leo J. Shapiro & Associates for* Discount Store News

Sears, by itself, tied full-price department stores, with 21 percent of shoppers last year, followed by JCPenney (14 percent), apparel stores (10 percent) and children's clothing stores (9 percent).

The ranking of Sears, JCPenney, K mart and Wal-Mart for general preferences holds steady for past and future apparel purchases for girls' and boys' under 14. But when it comes to infants' apparel the order changes.

Sears remains the store of choice among purchasers of infants' apparel both for purchases made in the past year and for those planned for the coming 12 months.

Wal-Mart jumped into second place, tied with JCPenney, among purchasers of infants' apparel in the past year. K mart was fourth.

Among those planning to buy infants' apparel in the coming year, Sears is mentioned most often as the store in which they will shop, followed by Penney, Wal-Mart, then K mart.

Parents, the primary purchasers of children's apparel, spent more on apparel, in general, than grandparents or gift givers and more on boys' apparel last year than on girls' clothing. But in the coming year, parents reported that they spend more on girls' apparel and less on boys' and infants' clothing.

Grandparents, apparently, will make up the spending difference. And they will spend more on girls' apparel, too, according to survey results.

Grandparents, a major contributor to apparel purchases for children under 14, reported that they spent an average of $69.50 on infants' apparel last year and will increase their outlays to $103.30 this year. For older children, grandparents said they spent $171.50 on boys' clothing and

(Continued on page 26)

MARKETWATCH

Homemade Is Cost-Effective

SPARTANBURG, S.C. — Special occasion dresses in girls' sizes 4 to 6 were found to represent the greatest savings when they are homemade as opposed to store-bought, based on a recent survey conducted by Dritz, based here. Dritz, a leading supplier of notions for the home sewing market, estimated that higher-quality, lace-trimmed dresses in this size spectrum could be produced for $18 to $25. The independent cost comparison study, conducted in the New York and Connecticut markets, found that prices for these dresses at area department stores ranged from $35 to $144. Discounter prices were $14.99 to $24.99, but "selection was extremely limited, and the quality was questionable." At the other end of the spectrum, clothing in this size range that was found least cost-effective to create at home included T-shirts (at-home prices ranged between $11 to $13, while discount and department store prices ranged between $5.99 and $9).

ASTM Sets Care Labeling Seminar

PHILADELPHIA — A seminar on care labeling symbols, sponsored by the American Society for Testing and Materials standards writing committee D-13 on Textiles, will be held March 28 from 2 p.m. to 5 p.m. at the Sheraton Hotel in New Orleans. Among the topics to be discussed: international and technological differences in regards to developing a usable international standard for these picture symbols. Committee D-13 is one of 134 ASTM technical standards writing committees.

Wrangler's Sales Lineup Reshuffled

GREENSBORO, N.C. — Five executives have been promoted in the recent restructuring of Wrangler's sales force. Timothy Lambeth was named vp, retail marketing, from vp, finance and administration. He will direct the jean maker's entire sales effort. Stephen W. Morton was promoted to vp, field sales—East, from areas sales vp, Chicago. Warren C. "Casey" Jones Jr., became vp, field sales—West, from area sales vp—Dallas. John V. Papson is now vp, chain sales, from area sales vp—New York. Brian J. Goldberg was named vp, retail services, from director of retail sales.

Children's Apparel Survey

(Continued from page 25)
$157.20 on girls' apparel last year. In the coming year, grandparents said they will spend $216.10 on boys' and $192.90 on girls' apparel.

Parents of children under 14 who also have an infant spent $101.90 last year on infants' apparel and will spend $71 this year. The spending decline could be due to stockpiles of clothes from older children.

There was no clear reason for decreased spending on boys' apparel, nor was there an explanation of why spending on girls' apparel will increase, other than possibly balancing last year's spending trend in favor of boys' apparel.

Overall, respondents said they spent a mean $254.20 on boys' apparel for a child who was a mean 8.6 years of age last year, $227.70 on a girl of a mean age of 7.2 years and $95.90 on infants' apparel. In the coming year, these same respondents said they will spend a mean of $272.50 on girls' apparel, $261.80 on boys' and $120.70 on infants'.

In comparison, parents of boys under 14 said they spent $297.10 last year for their son, a child a mean 7.9 years of age, and will decrease their spending this year to $381.10.

Parents of girls will substantially increase their level of spending in the coming year, to $341.90 from last year's $271.70, for a girl at a mean age of 7.2.

Exactly what do parents, grandparents and gift-givers buy for children? Basics.

Specifically, for boys, among respondents who said they will purchase boys' apparel in the coming year, the leading items were: shirts/blouses, pants/slacks, jeans/overalls, shoes/boots, sweaters, underwear, socks/tights/nylons, coat/snowsuit/jacket, and jogging suit/sweats.

Purchasers of boys' apparel reported they will make relatively few purchases of hats/caps, swimwear, sleepwear/pajamas/gowns/robe, shorts, tops, suits, and T-shirts, according to the survey.

For girls, expected purchases in the coming year included: dresses, pants/slacks, shirts/blouses, shoes/boots, sweaters, shirts, jeans/overalls, and socks/tights/nylons.

Purchasers of girls' apparel said they are least likely to make the following purchases this year: suits, hats/caps, jumpsuit/jump outfit, swim wear, T-shirts, sleepwear/pajamas/gowns/robe, jogging suit/sweats, coat/snowsuit/underwear, shorts, and tops.

For infants, respondents said they will probably purchase: dresses, sleepwear/pajamas/gowns/robe, pants/slacks, shirts/blouses, and shoes/boots. The least likely purchases for infants include: swimwear, tops, suits, hats/caps, coat/snowsuit/jacket, jumpsuit/jump outfit, sweaters, T-shirts, blankets/linens/diapers, jeans/overalls, shorts, socks/tights/nylons, and underwear.

The survey polled 467 people across the country during the first week of February. Respondents were a mean 43.8 years of age, with a median household income of $28,100. The mean number of people in each household was 3.01. However, 54.4 percent of the respondents had three or more persons in their households.

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Silk Flower Sales in Full Bloom

Craft, Specialty Stores Vie With Discounters for Dominance

By Mary Ellen Kelly
Nationwide DSN Report

Discounters are currently the No. 1 channel in sales of artificial silk flowers and plants, based on the latest study conducted by the Hobby Industry of America. But the explosive growth of craft and silk flower specialty stores—both discount and full priced—is threatening that dominance.

Too narrow an assortment of silk flowers, artificial plants and accessories at full-line discount department stores could open the way for new specialty competitors to seriously erode this profitable business.

The shift by Chicago-based Ben Franklin and San Antonio, Texas-based Winn's toward discount craft stores and away from their variety store roots signal an avenue that others might soon take.

Crafts & More, the specialty store division of Ames Department Stores, is flourishing—rapid unit and sales growth are being generated by both freestanding units and those housed within the Ames discount department store. About a half dozen pillars of silk flower stems are positioned at the very front of the store in most of the specialty outlets and are a significant sales and profits contributor.

But the competition does not end with discount and full-priced specialty stores. Home centers, drug stores and supermarkets are also tapping into this lucrative home decor category. Montgomery Ward, which had been leasing 73 silk flower and plant departments to a chain called Silk Plants, Etc., has recently decided to take over operations of that department. The last of the Montgomery Ward Silk Plants, Etc.-run departments was scheduled to close on March 15.

***Silk flowers are** now commonplace in most retail outlets.*

(Silk Plants, Etc., is a 61-unit upper-end chain. Both this chain and Pouliot, an importer of high quality wood trunk trees and custom floral arrangements, were acquired on Jan. 1, 1990 by Foliage Plus, a newly formed vertical company.)

Typical of many full-line discount chains is Fisher's Big Wheel. The Pennslyvania-based discounter's sales of silk plants were up in excess of 50 percent between 1988 and 1989, according to Carl Schwartz, vice president, general merchandise manager, hard lines. The category is expected to surge an additional 20 percent to 25 percent during 1990.

"The category has grown so much because we devote a lot of main aisle space to it," Schwartz noted. "We promote the plants nearly 10 months out of the year. It is a very profitable category for us." The basic silk flower business has not grown much during the past few years, but promotional plant sales "have developed beyond our expectations," he said.

While competitors like K mart and Ames are also aggressive in the category, Fisher's promotes silk plants more frequently than these two chains, said Schwartz. The everyday assortment of silk flowers runs between 12 feet and 16 feet.

Sales, Price Points Climb

Regardless of where the purchases are being made, colors echoing those popular in home fashions are dominating sales. While some manufacturers believe that life-like product is a primary concern for a portion of their customers, the majority assert that "botanically correct" is no longer the driving force. Black, sea foam green and slate blue—while rarely, if ever, found in nature—are the hot new colors, according to executives from top suppliers.

What vendors do agree on is that retailers and consumers are willing to trade-up to higher price points and better quality products. All acknowledge too that silk flowers and plants are no longer a seasonal purchase. While sales peak during certain holidays like Memorial Day, the category generates a solid everyday sales level.

James Kropp, marketing manager with Teters, Bolivar, Mo., said the company has found the market receptive to $1.99 to 2.99 hand-wrapped flowers. Less than a year ago, the market accepted flowers priced 69 cents to 99 cents. Similarly, receptiveness to better grade bush flowers have let price points soar to $4.99 from $1.99.

Teters is also currently testing bushes priced between

(Continued on page 58)

MARKETWATCH

AHAM Reports Slow Shipments

CHICAGO — The Association of Home Appliance Manufacturers (AHAM) said industry shipments are "off to a slower start" this year, overall. Nonetheless shipment levels were high for several product categories including refrigerators, ranges and laundry appliances, which were up 4 percent over January of last year. Microwave oven shipments were down for the fourth straight month; January shipments were down 18 percent compared to 1989. The difference between the two years was due to market saturation. Air conditioner shipments plummeted, down 27 percent. A mild summer in 1989 in contrast to 1988's heat wave was a factor.

Rickel Debuts New HoM Store

SOUTH PLAINFIELD, N.J. — Watch out for a new entry into the hot home fashions specialty arena. Rickel Home Centers opened its first HoM by Rickel store in Toms River, N.J. The store features intensive housewares, bed & bath, decorative and furniture selections, along with a pared down offering of building products. Existing Rickel stores may be converted to the HoM format in the future.

Home Offices to Double in 2 Years

NEW YORK — Home offices should grow to 30 million from 15 million over the next two years, according to Sharp's Paul Allen. And those home office workers will be looking for fax machines in record numbers, he added. Among the features most coveted by consumers in 1990 will be affordable plain paper copying, fax/PC integration, laser printing and, of course, price. "A price war at the lower end will cause manufacturer shakeout," he said, adding that a compact phone/fax/answering machine combo unit will be a hot product in coming years for personal use.

Circuit City Tops $2 Billion in Sales

RICHMOND, Va. — Circuit City topped $2 billion in sales for the first time, a 22 percent sales increase to $2.1 billion from fiscal 1989's $1.72 billion. The chain also turned in a 25 percent increase for February, to $143.2 million, from $114.3 million last year. Comparable store sales for the year rose only 2 percent and for the month, 4 percent. According to president and ceo Richard Sharp, Circuit City plans to enter new markets in fiscal 1991, including Cincinnati and St. Louis.

Best Buy Posts 8 Percent Gain Over Last Year

MINNEAPOLIS — Best Buy Co., reported its first fiscal results under its new fiscal year. According to chief financial officer Allen Lenzmeier, sales increased 8 percent over last year, to $509 million from $471 million, for the 11 month period which ended February 28. The company's fiscal year was shortened by roughly one month due to a change in reporting procedures. Circuit City now operates 125 superstores, 20 smaller stores and four "express" Impulse mall stores.

Discounters Vie for Dominance in Silk Flowers

(Continued from page 57)

$7.99 to $9.99 to determine whether additional trade-ups are possible. Teters enjoyed an 18 percent sales increase between 1988 and 1989; double-digit increases are forecasted for 1990.

David Clapp, president of Magic Designs, and vice president of its parent company, Designer Accents, said the company generated a 25 percent sales growth increase between 1988 and 1989; the same percentage rise in business is projected for 1990.

Magic Designs targets the pre-made floral market. Floral arrangements are priced to retail from $10 to $35. All products are imported, primarily from China, Taiwan and the Philippines.

According to Clapp, the two areas of product development that are of greatest importance are:

- Integratable colors that work in concert with current home fashion trends;
- Addressing consumer demand for botanically correct blossoms and foliage.

Ira Kleinberg, president of New York-based Reliance Trading, makers of Beauty Silk, Beauty Craft and Beauty Basket foliage, flowers and accessories, said sales between 1988 and 1989 were up 14 percent. Projected increases for 1990 are 23 percent. Kleinberg, who also sees a receptiveness to higher-quality goods, sees two distinct consumer groups that shop the category.

Kleinberg describes the two major silk flower customer types thusly: " 'Karen the Crafter' spends her time and money on the individual items and creates her own arrangements. 'Tilly No Time No Talent' is shopping for ready-made arrangements or easily assembled projects."

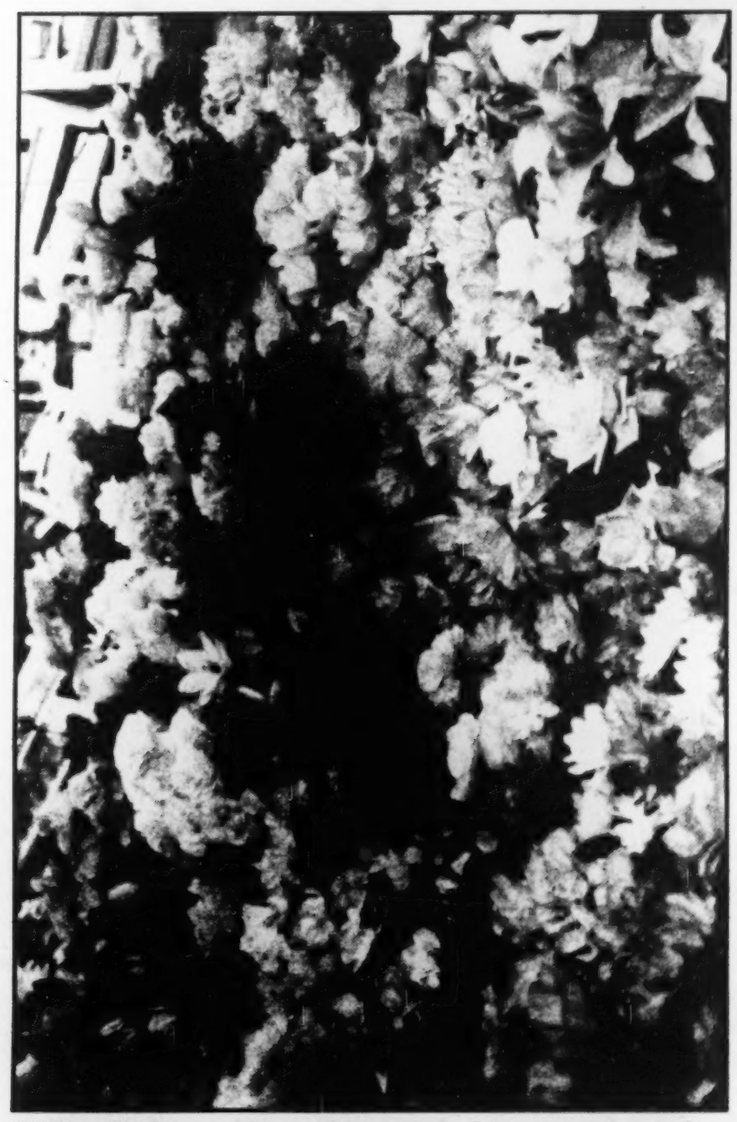
Clapp at Magic Designs said that currently mauve, peach and soft blues are selling best but sea foam green and jade are quickly gaining popularity.

Kropp at Teters sees four basic growth areas. Victorian colors such as burgundy and darker blue are selling well as are natural or "European" colors like airy pastels. Southwest is growing in two different directions depending upon the region: either bright and vivid tones or dusty pastel shades. The fourth, and most recent color development, has been in black and white. "We will have black flowers in the fall. A total of 15 sku's," said Kropp. Also new in the fall color packs will be a desert rose and smoky blue.

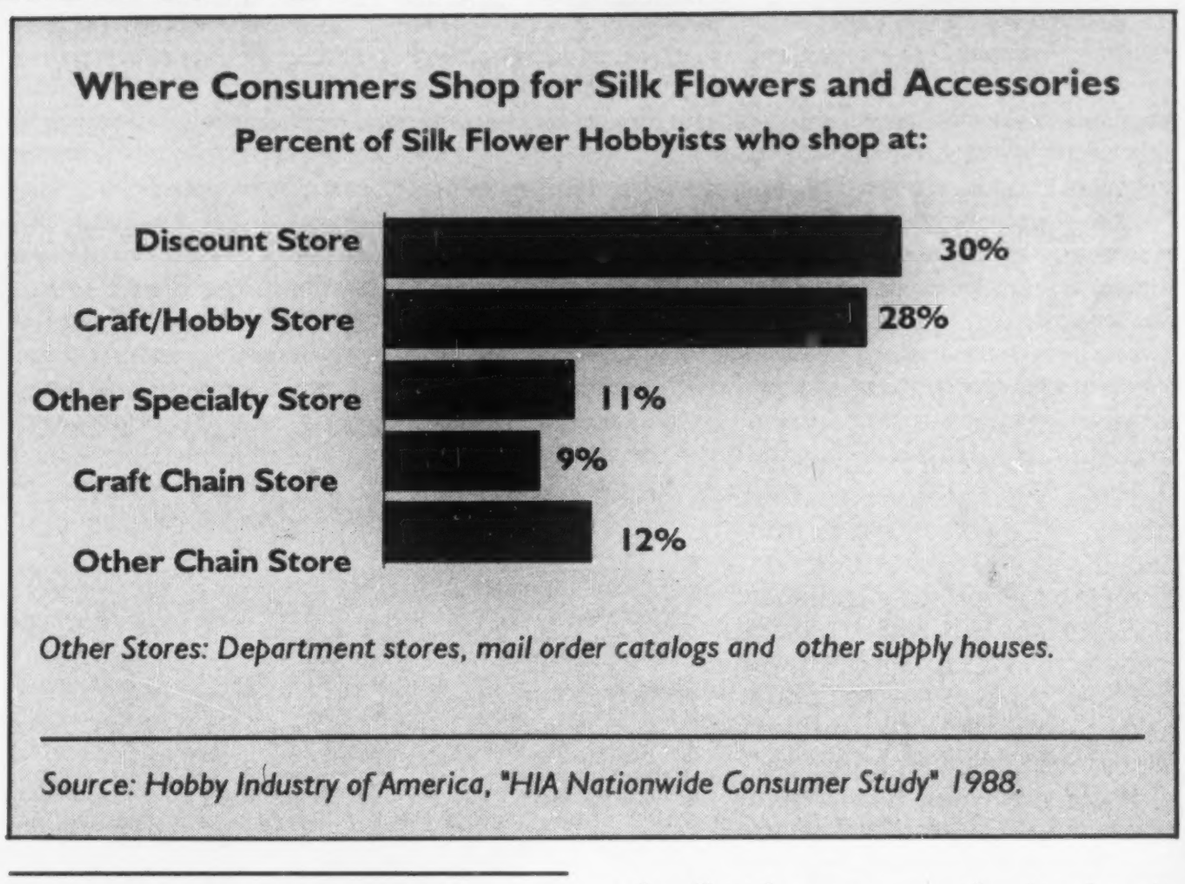
The single fastest growing Teters color is sea foam green. "A year after a color first becomes popular is when it reaches our market. The craft stores react first and discounters are into the color about six months later," Kropp said.

Kleinberg, at Reliance Trading, said his company has been selling black flowers for about six months and is doing well with them. Sea foam green and what he called lipstick red are also new, strong-selling colors. He is also seeing good results with metallic or "copper colors" since their introduction about eight months ago. The May/June thrust will be Victorian colors which he says incorporates dusty mauve and slate blue.

The success of the black and white, "tuxedo look" according Kleinberg, arises from its universal appeal. "Charcoal and chalk, as we're calling them, appeal to ethnic customers, low-income customers, high-income customers—sales are strong across the board."



Bill's, Jackson, Miss.: *Once rooted in cemetery sales, silk flowers now have a fashion focus.* (DSN photo)



Ira Kleinberg, president of Reliance Trading, divides his silk flower customers into two specific types—'Karen the Crafter' and 'Tilly No Time No Talent'

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WAREHOUSE CLUBS

Clubs Down to a Precious Few

Nine Chains Battle to Dominate Industry

Nationwide DSN Report

The membership warehouse business is taking its final shape, consolidating into a nine chain industry with further coalescing likely.

The contraction—Buyer's Club and American Wholesale closed down while K mart acquired Pace and this year will fold Makro, its other wholesale club operation, into Pace—denotes the overwhelming acceptance that membership warehouses have received almost everywhere they have opened. This, in turn, has spawned the following consequences:

- The rapid growth of the six major chains has begun to shut the window of opportunity for new entries, with Wholesale Depot the only startup last year. It opened two clubs last fall and projects four more units this year.
- K mart, in one step, changed from an also-ran into a major contender as it moved up from the parent of one of the smaller players to owner of the fourth largest chain.

The Pace acquisition firms up K mart's fortunes in its overarching effort to become the nation's leading retailer in sales, surpassing Sears, while holding off a growing challenge from Wal-Mart. Wal-Mart's explosive growth during the past few years has been fueled in part by its Sam's Wholesale Club division, which accounts for about 20 percent of the discounter's total volume.

- The concentrated expansion among the top membership warehouses has generated overpowering competitive pressure on smaller players, with one outcome, the demise of Buyer's Club and American Wholesale.

Buyer's Club battled Price Club, Costco Wholesale Club and Pace Membership Warehouse, while American Wholesale squared off against Sam's.

- These competitive factors could also result in further acquisitions and/or closings among the smaller chains as larger operators seek out low cost entries into new markets.

While the number of players has decreased, the industry's sales will continue to boom, with volume this year easily burgeoning 25 percent to over $22 billion, while the store count keeps pace, adding about 70 units, a 19 percent jump.

The industry's phenomenally sustained growth will come on the heels of a 29 percent sales gain last year as volume reached $17.5 billion, a $4 billion jump from $13.7 billion in 1988.

While the number of players has decreased, *sales in warehouse clubs will continue to boom and new features, such as fresh meat and produce at this Pace unit, will become more common.* (DSN photo)

On the store side, the industry's count mirrored the sales picture. Last year's 375 clubs was a 59 store increase, or a 19 percent gain, from the 316 in operation the previous year.

The industry consolidation and simultaneous expansion this year will be marked by three major developments during the next few months.

The first is continued merchandise diversification as chains add optical departments, fresh meat and produce sections and even scratch bakeries to more clubs. Concurrently, home delivery for bulky items and low-cost car buying and long distance phone services are becoming more and more common.

Next is K mart's converting nine Makros into Paces by mid-year, boosting Pace's current count to 56 clubs.

Just as important, the move will strengthen Pace as it gears up for the industry's third major development—the no-holds-barred battle for the Northeast, which was once a highly understored market, with 27 stores. The region is due to get about triple that number of units by the end of 1991.

The Northeast's attraction for membership warehouse chains is directly related to the few number of clubs in the region. The two dozen stores are less than the three dozen just in Los Angeles alone.

The industry's top five chains will be the players in the Northeast game, firming up sites while trying to—and in some cases succeeding in—outbidding rivals for locations.

The moves involve:

- BJ's Wholesale Club, which currently has 16 stores in seven states, plans to open eight more clubs while expanding into two new states.
- Price Club's presence will go from four units in three states to 11 stores in four states.
- Pace, whose four Northeast clubs are all in Pennsylvania, will expand to 19 stores in five states, aided by the conversion of Makro units in Philadelphia and Hartford, Conn.
- Sam's invaded the Northeast last year with a store in New Jersey—a forerunner to Wal-Mart also opening discount stores in the region. Sam's will exploit this beachhead with 19 more clubs in six more states.
- Costco will move into the Northeast for the first time with six stores in three markets.

Top Membership Warehouse Clubs

Chain	Sales (In Million) 1989	Sales (In Million) 1988	Percent Change	Earnings 1989	Earnings 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 12/90
Sam's Bentonville, Ark.	$ 5,100*	$ 3,828	33%	NA	NA	—	105	123	148
Price Club San Diego	5,033	4,161	21	192	157	22%	41	44	54
Costco Kirkland, Wash.	2,943	1,989	48	56	31	79	50	62	72
PACE Aurora, Colo.	1,710	1,271	35	NA	NA	—	39	47	66
BJ's Wholesale Club Natick, Mass.	985	817	21	9	6	45	22	23	25
Price Savers Salt Lake City	685	551	24	NA	NA	—	13	14	19
The Wholesale Club Indianapolis	570	402	42	9	5	65	18	23	30
Makro Cincinnati	270*	250*	8	NA	NA	—	6	9	—
Warehouse Club Skokie, Ill.	267	249	7	0.5[1]	(2.1)[1]	—	12	12	12
Club Wholesale Meridian, Idaho	70*	65	8	NA	NA	—	5	5	6
Total:	$17,633	$ 13,584	30%	—	—	—	311	362	432

*DSN estimate NA—not available [1]net income ( )—loss Source: DSN research

Remodelings Key to Caldor's Self-Sufficiency

(Continued from page 1)
more stores will be remodeled this year—five in April and five by the end of July.

In addition, Caldor plans to open five new stores in existing markets by year-end. The new stores will be in Shirley, Garden City and Woodmere, N.Y., and Ledgewood, N.J. Earlier this month, Caldor, which has been involved in negotiations for several of the former TSS stores in the Greater New York market, agreed to purchase the Middle Village site for a reported $5 million.

In 1991, Caldor will open stores in Staten Island and Massapequa, N.Y., and Turnersville, Pa. Two more sites are also being considered.

"For the next three or four years, we're only interested in expanding our existing markets," said Clarke. He said maybe someday Caldor would be interested in a major acquisition in the Northeast.

"We don't want to do what Ames did," he said. "We don't want to inundate our firm with something else when we don't have current things running the way we want them too."

Balmuth said that a total of $37 million in capital expenditures has been allocated for remodels and new stores in 1990. About $14 million is for remodels. In subsequent years, he said the total figure will drop to between $28 million and $29 million. Caldor has also invested $17 million last year to create a state-of-the-art distribution center that will double the capacity of its Secaucus, N.J., facility. It will be completed this month.

So far, Clarke said the payoff has been substantial. Although he wouldn't disclose specific figures, he said that incremental sales increases after a remodel have averaged in double digits.

While it's still too early to make a definitive evaluation of the success of their mission, it seems that Clarke and Balmuth have Caldor on the right course. The LBO by Odyssey LP, a New York private investment partnership, was finalized last November.

Both executives, who left sister chain Venture to take over Caldor in late 1986, admit that there are still problems to be solved, but they are confident that their plans will be successful and already have exceeded projections since the LBO four months ago.

"We weren't interested in taking over a company we couldn't fix," said Clarke, who claimed that the LBO has actually helped Caldor's financial position.

Over the past few years, Caldor has improved earnings, sales per square foot and comp store sales (see accompanying financial table).

Life without May has its good and bad points, according to Clarke and Balmuth.

"On the good side, we're able to do things faster," said Clarke. "Things don't have to fit into the May way. I think the remodeling program wouldn't look the same if we were still part of May. There's more flexibility. On the downside, May is a very well-structured company."

"Recruiting with May was a lot easier than recruiting without May," said Balmuth.

"We're now working on developing a culture at Caldor," added Clarke. "We don't have to report everyday, so that frees up some time."

Clarke said that May's emphasis was also on remodeling, but since the LBO, colors and the logo were among some of the changes implemented. The orange and brown colors were eliminated in favor of a more contemporary combination of red and gray.

"May was also pushing Caldor towards an 80,000-square-foot prototype," said Clarke, "but now we plan to do a 90,000-square-foot store."

In the Bricktown, N.J., store, which represents the new design plans, several departments have been expanded and identified as power departments. They include:

- Jewelry and accessories, featuring an expanded glass-enclosed counter fixture with an selection of fine gold jewelry and watches;
- Soft lines, featuring a more fashion color palette, and the much-publicized Gitano Shop, which Caldor was the first retailer to debut. An exercise/bodywear shop was also created, more name brand signs are being used and movable fixtures are being tested;
- CE, featuring a bullpen design and a repositioning to the rear of the store. Photo, audio and video were expanded and added to the basic CE mix;
- Lawn and Garden, featuring new fixtures to make handling and stocking easier. Products are now categorized and numbered for easy selection on the warehouse-style shelving;
- Sporting Goods has an expanded fitness equipment and fishing departments.

"We have created a lot more value for the customer," said Balmuth. "We took massive price decreases in 1987 to become more competitive and price-oriented, rather than just purely a convenience store.

"As we get better, we hope to improve our in-stock position," he added.

Caldor will maintain its current schedule of 53 sales circulars and has no plans to adopt an everyday low price strategy. Scanning has also been implemented in all stores.

"Many people have said Caldor has improved," said Clarke, "but we've got a long way to go."

Certainly, Caldor's Mayless mission is not impossible. Clarke and Balmuth can only hope for a smooth ride.

CALDOR

	1988	1989
Revenue (In Millions)	1567.6	1651.2
Store for Store Percent Increase	3.4	5.0
Operating Income (In Millions)*	89.7	108.9
Sales Per Square Foot	141.0	148.0
Avg. Store Size (Square Feet in Thousands)	93	93
Gross Margin (In Millions)	452.2	483.0
Gross Margin Percent	28.8	29.3
Avg. Sales Per Store (In Millions)**	13.2	13.9
No. of Stores (Year-End)	119	118
Percent Sales Soft Lines	29.3	31.1
Percent Sales Hard Lines	70.7	68.9
No. of Employees (In Thousands)	15	15

*Earnings before interest, taxes, depreciation and amortization.
**Selling and Non-selling.
Source: Caldor

Bag Makers: Retailers Should Join Our Fight

(Continued from page 3)
In Maine, retailers took a neutral position when the state legislature took up a bill banning plastic bags, Krissel said. Now a state law requires retailers to use paper bags, (which cost about 30 percent more,) he said.

Beginning Jan. 1, 1990, Florida retailers had to start using photodegradable bags that cost about 3½ percent more. Photodegradable bags are designed to begin decomposing after exposure to sunlight.

To offset the extra cost of degradable bags, K mart switched to a clear plastic bag, saving the cost of the pigment in the white bag it uses in the rest of the country.

Moreover, the Florida law also bans cadmium inks that produce reds and oranges, and substitute inks raise the cost of plastic bags by about $20 per thousand.

In Connecticut, a new law that requires retailers to offer both paper and plastic bags costs the Steinbach department store chain about $9,000 to stock paper bags in its Nutmeg State stores, even though only about one in 200 customers requests paper.

Wisconsin is "hot and heavy" about considering a bill to ban plastic bags, said Rick Thornburg, lobbyist for the Flexible Packaging Association and one of four panelists who spoke.

FPA lobbying helped persuade the city fathers of Minneapolis to rescind a ban on plastic retail bags, Thornburg said. The FPA, a trade association that represents plastic bag suppliers, hopes to overturn a similar plastic bag ban in St. Paul, Minn., before it takes effect, Thornburg said.

On Nov. 1, two critical initiative questions that would ban plastic retail bags appear on ballots in Massachusetts and Oregon, Thornburg said.

"I urge you to get involved" in such battles to ban plastic bags, Thornburg said. The outcome helps to "determine your bottom line," he said.

"You've got a dirty job ahead of you in trying to influence public policy," he warned the attendees.

Plastic bags are better for the environment than paper because they take up less space in land fills, said Charles Pearl, vice president, technology for Equitable.

Plastic bags represent only 1 percent of the trash and garbage dumped in landfills, Pearl said. Yet, "plastic bags have become a favorite target of politicians."

In "a stroke of genius," the American Paper Institute raised the issue of degradability, Pearl said. No material whether paper, plastic, food or garden wastes degrades in a modern landfill, designed to exclude oxygen and water, Pearl said.

A landfill is a tomb that only stores waste, Pearl said.

Plastic bag makers also are making plastic bags 17 percent thinner, decreasing the amount of plastic bag material winding up in landfills.

Michelle Raymond, a panelist representing *Crain's Plastics Magazine*, also urged retailers to close ranks with the FPA and plastic bag makers.

"You have more credibility" in your communities, the trade magazine columnist said. "Plastic resins makers lack the credibility to get the message across to the public," Raymond said.

Vendor Alleges Blackmail Claim

(Continued from page 2)
The FTC routinely declines to discuss pending cases. However, on Feb. 6, the FTC contacted the Washington, D.C., office of Congressman Michael Oxley, R-Ohio, and informed him that O'Connor's case is being reviewed, said Peggy Peterson, press secretary for Oxley.

O'Connor contacted Oxley in writing about the "blackmail" and the information was passed on to the FTC, said Peterson.

Although declining to provide specific details, O'Connor said that the same retailer that approached him recently did so for the first time about two years ago. O'Connor said the request was probably for less money, although he couldn't remember specifically, but he was able to continue the relationship without paying the money.

O'Connor characterized the request by the retailer for $25,000 in order to keep the retail account as "commercial blackmail money" and said he told the retailer to "jam it."

O'Connor said he lost the account.

Aside from this one retailer's request for money as a condition of doing business, O'Connor said he had never before been asked for money by a retail customer.

Favors as a condition of doing business are not new. There have long been stories about alcoholic drinks, parties, call girls, cocaine and payoffs in order to keep accounts happy.

For Connor, though, he said he "had never been assaulted with commercial blackmail" before and turned to the FTC and his congressman for help.

Range Clean, is a privately held company that produces electric and gas reflector pans and bowls.

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Bradlees Reshuffles Execs As Operating Profits Slide

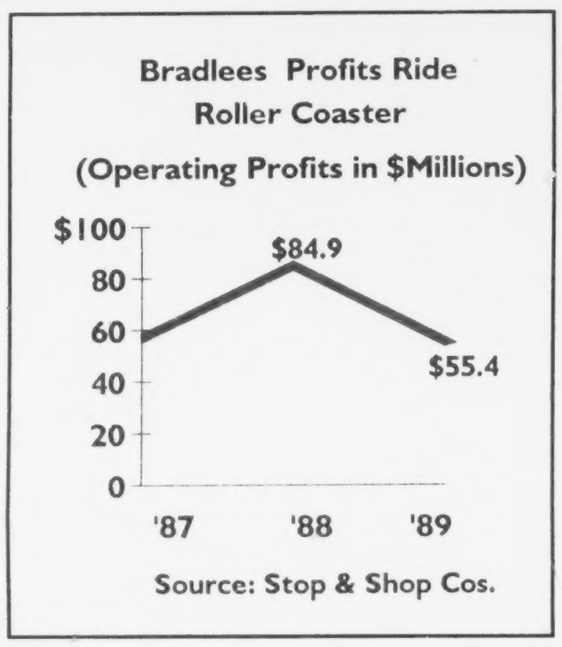
BRAINTREE, Mass. — Bradlees parent Stop & Shop Cos., has reshuffled top management of the discount chain following a disappointing year that saw operating profits plunge 35 percent on a 17 percent sales decline and same store sales increases drop by half to 2 percent.

The restructuring came on the heels of the sudden resignation of Bradlees president and chief operating officer, George M. Granoff, who left to become coo of Ames (See story, page 1).

Instead of replacing Granoff, Stop & Shop Cos., chairman Lewis G. Schaeneman Jr., himself assumed the title of Bradlees president and split the duties of the president. Schaeneman already was ceo of Bradlees. Stop & Shop also put another of its supermarket executives, Barry Berman, in charge of Bradlees merchandising and marketing.

Previously, Berman was vice president of marketing, perishable sales and procurement for the supermarket company, Stop & Shop said in

(Continued on page 34)



Granoff Joins Ames' Team; Brings Merchandising Flair

ROCKY HILL, Conn. — Ames Department Stores has named former Bradlees president and chief executive officer George Granoff, 43, president and chief operating officer. Simultaneously, Peter Hollis, formerly Ames president and ceo, has been named vice chairman and ceo.

George Granoff

Granoff rose quickly through the ranks at Bradlees, ultimately assuming the title of president two years ago. However, the chain has struggled as of late. A combination of declining profits and the takeover of parent Stop & Shop Cos., by LBO specialists Kohlberg Kravis and Roberts in 1988 forced Bradlees to sell off 31 of its Southern stores.

Ames, on the other hand, has run into a brick wall since its buyout of Zayre Stores, suffering from declining profits and sales. Dividing executive duties, which have been under the control of Hollis and his two closest advisers, Duane Wolter and Les Dietzmann, may have a positive effect on bringing Ames back into a positive growth posture.

Granoff is essentially a merchant, and initially he had great success at Bradlees, raising sales and profits in fiscal 1988 (sales rose from $57 million to $85 million) and paring down operating costs. However, sales and profits both plummeted in 1989.

At Ames, Granoff essentially replaces Jim McKitrick, the executive vice president who left to take over home center operator Builders Emporium. McKitrick was never, until now, replaced, and his loss may have had an effect on Ames' operations. At presstime, Granoff declined requests for interviews.

K mart Opens 2nd Hypermarket

Hopes to Fare Better with Scaled-Down Charlotte Unit

By Richard C. Halverson

CHARLOTTE, N.C. — K mart has opened its second—and much smaller—American Fare hypermarket here and hopes to open No. 3 in Jackson, Miss., by the end of the summer.

American FARE

In the Charlotte store, opened April 1, K mart radically broadened its merchandise offerings over its first hypermarket opened January 1989 in Atlanta. K mart more than doubled the sku's offered to 110,000 from the 45,000 that it originally offered in Atlanta, while reducing selling floor space in Charlotte by 40 percent. In Atlanta, sku count has already been increased to 65,000, and by mid-year remerchandising will be complete so that sku count will match that in Charlotte.

K mart cut selling space in Charlotte to 130,000 square feet from 217,000 square feet in Atlanta. And it is trimming the Jackson store by 5,000 feet more to 125,000 square feet.

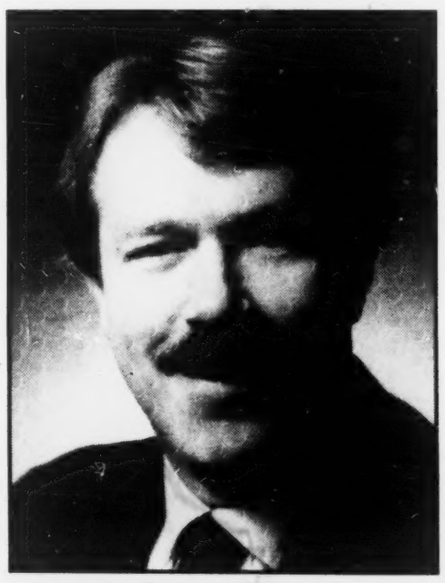
Moreover, K mart and its supermarket partner, Bruno's, appear poised to establish the last of four planned units in Birmingham, Ala., in Bruno's backyard, city and county officials said.

Both deny any immediate plans to build in Birmingham, however, and Larry Parkin, executive vice president for warehouse and grocery operations, said K mart has no plans "at this time" for a fourth American Fare.

K mart apparently has made no commitment in terms of buying or leasing a site or submitting building plans for the shopping center they are considering. The location is the new 275-acre Wildwood mall under construction in Homewood, a suburb south of Birmingham.

No advance information about the size of the proposed

(Continued on page 33)



James Glime

What Role Should Store Managers Play?

See editorial on page 8 and fax your opinion to *DSN*.

FAX: (212) 838-9487

Hypermart USA Units Get SuperCenter-type Facelift

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart last week finally ended its Hypermart USA experiment by unveiling a new format that mirrors the Wal-Mart SuperCenter's more traditional hypermarket concept.

The move also included christening the Garland and Arlington, Texas, and Topeka, Kan., stores as Wal-Mart's Hypermart USA. That label is seen as a step to the eventual use of the Wal-Mart SuperCenter name for the units.

The discounter in late February opened a store with the new format in Kansas City, Mo., under the Wal-Mart's Hypermart USA logo.

The first three Hypermart USAs reportedly are profitable. Wal-Mart decided to change the stores because

(Continued on page 34)

Wal-Mart Debuts in D.C.

BENTONVILLE, Ark. — Wal-Mart plans to open a store in the Washington suburb of Manassas, Va., as part of its looming corporate invasion of the Northeast.

The discounter has already announced the locations of over two dozen Sam's Wholesale Clubs set to open in the Northeast by the end of 1991.

The retailer's move into the Northeast is expected to make Wal-Mart, through its discount stores and membership warehouses, a dominating multisegment merchant in the region. Its expansion options include opening new units—the plan already in the works for Sam's—along with recycling stores and/or acquiring a chain for its discount arm.

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MARKETWATCH

Ames Suspends Annual Dividend

ROCKY HILL, Conn. — In the face of an estimated loss of $37 million for 1989, Ames has suspended its annual dividend of 10 cents a share. The suspension will last until "Ames returns to a significant level of profitability," chief executive officer Peter Hollis said. The 1989 loss stems from poor sales from the Zayre stores Ames acquired in 1988. Suspension of the dividend will conserve about $3.8 million in cash, but the main issue is paying a dividend when the company lost money, rather than the relatively small improvement in cash flow, a spokesman said.

Newmark & Lewis Buys Brick Church

NEW YORK — With the purchase of Brick Church for a reported $7.8 million, consumer electronics retailer Newmark & Lewis has become the New York metro area's largest CE chain. Altogether, the bulked-up Newmark & Lewis will operate some 90 stores accounting for over $350 million in sales. Newmark & Lewis has also assumed undisclosed amounts of liabilities. Ironically, Newmark & Lewis was the subject of sale rumors for the past year. The Brick Church acquisition moves Newmark & Lewis ahead of The Wiz in New York metro sales and provides access to the northern New Jersey market.

Rossi Takes Helm of Marshalls

ANDOVER, Mass. — Jerome Rossi has been named president and chief operating officer of Marshalls, the national off-price family retailer. Former president Francis H. Arnone is staying on as chief executive officer for the chain and has been named to the newly added post of chairman of the board. Rossi had been chairman of the Houston-based Foley's and of the G. Fox Division of May Department Stores Co. At Marshall's, Rossi will oversee finance, information systems, real estate, shortage control and purchasing for the 300 plus unit operation. Rossi replaced Mark Sellers, who was named as president of Macy's South/Bullock's, as chief operating officer.

Schottenstein to Acquire Glosser Bros.

JOHNSTOWN, Pa. — Schottenstein Stores, Columbus, Ohio, won bankruptcy court approval to acquire Glosser Brothers out of Chapter 11 bankruptcy by paying creditors 55 cents on the dollar and giving them a 10 percent stake in a new entity to be formed, GB Stores. Glosser operates 17 Gee Bee Discount and 18 Dollar Bargain closeout stores. Creditors had voted overwhelmingly to approve the deal, set to close in early April. Schottenstein will retain present management, including president Thomas Zurilla, and the Gee Bee store format, Glosser said. Schottenstein controls a 79 percent stake in the venture, while Glosser management gets a 7 percent equity interest.

Electronic Retailing Conference Set

ORLANDO, Fla. — Deloitte & Touche will explore the latest retailing technologies—frequent buyer programs, network communication, kiosks, in-store advertising, voice/image systems, all-electronic retailing and videotex services—at its annual Electronic Marketing & Retailing conference to be held May 23 to 25 at the Buena Vista Palace at Walt Disney World Village. Information: Deloitte & Touche, (415) 296-2290. Fax (415) 982-4510.

Fred Meyer Reports $6.8M Net Loss

PORTLAND, Ore. — Fred Meyer reported a net loss of $6.8 million for its fiscal year ended Feb. 3, 1990, compared to net profits of $36.6 million the prior year. Sales rose to $2.28 billion from $2.07 billion. Fred Meyer attributed the net loss to $49.3 million in pre-tax write-offs for converting its management information systems checkout registers to IBM from Honeywell, as well as costs of remodeling, closing and replacing stores. Fred Meyer operates 125 units, including 95 full-line stores that offer groceries as well as general merchandise.

W. Bell Declares 25% Dividend

ROCKVILLE, Md. — W. Bell has declared a 5-for-4 stock split in the form of a 25 percent stock dividend. The move reflects the cataloger's new stock dividend policy of from time-to-time declaring dividends or stock splits as it deems appropriate. The aim is to increase the number of shares outstanding to broaden public interest in, and improve trading liquidity of, Bell's common stock.

Advertisers Discuss Change

Clover's Neswald Named Retailer Advertiser of the Year

CHARLESTON, S.C. — Barbara Neswald, sales promotion director of Philadelphia-based Clover, was named Retailer Advertiser of the Year by her peers at the 18th annual IMRA Advertising, Sales Promotion and Marketing Conference, held here last month.

Maxwell Communications Corp., the large St. Paul, Minn.-based newspaper insert printer, was chosen as Vendor of the Year by the gathering of discount store advertising and marketing executives.

Larry Hochberg, president and ceo of Sportmart and *ex officio* of the conference steering committee, described the theme of the program as handling "change on top of change."

Powerful motivational and personal improvement talks were given by numerous speakers and consumer research reports were presented by E.I. duPont de Nemours & Co. and Ambassador Cards.

"We're the type of people who are usually leading the charge," said attendee Bill Smith, vp, marketing at Meijer. "It's nice to sit back and really listen and learn."

Major trends mentioned by the 18 exhibitors who provide products and services to support the sales promo efforts of retailers included:

- Big is in. Large format posters of better quality construction that cost more but last longer are being used by K mart, Wal-Mart and other mass retailers;
- More niche marketing, particularly via direct mail, including capturing demographic information almost down to the street level;
- More four-color being used in ad circulars;
- More retailers are turning to electronic desk top publishing;
- Retailers are seeking new gimmicks, special formats, gatefolds—anything that grabs the consumer's attention.

Sky City Takes Flight From Parent Company

ASHEVILLE, N.C. — Interco Inc., parent of Sky City discount stores, has spun off the 57-unit discount chain as a privately held company.

St. Louis-based Interco, with diverse holdings in retailing and manufacturing, is slated to close on the sale of the chain to an investment group headed by Sky City president Harvey M. Yellen on March 31.

Yellen, who heads the group, Sky City Acquisition Corp., will continue in his capacity as president and ceo of the North Carolina-based chain.

The full-line discounter, which generated about $140 million in sales in 1988, according to *DSN*'s 1989 State-of-the-Industry Report, is opening a new store prototype in its headquarters city as part of its repositioning for the future, according to a spokesman.

Details regarding the new direction were not yet available, but are expected to take advantage of the chain's regional perimeters. Sky City stores are located in North Carolina, South Carolina, Georgia, Tennessee, Virginia and Alabama.

Steinbrueck Named Pace President, CEO

AURORA, Colo. — Charles E. Steinbrueck, president and co-chief executive officer of Pace Membership Warehouse was named president and ceo, effective April 1.

Steinbrueck served in his former capacity for two years, sharing the ceo title with Wayne Patterson.

Patterson, who is chairman of Pace's board of directors, has been named executive vice president of specialty retailing at K mart, Pace's new parent company. His appointment is also effective April 1.

In his new position with K mart, Patterson will be responsible for Pace, Pay Less NW and Waldenbooks Co., all K mart subsidiaries. Patterson will report directly to Joseph E. Antonini, K mart's chairman of the board and chief executive. He will assume responsibility for K mart's other specialty chains, Sports Authority, Office Square, and Builders Square, as well as the American Fare hypermarket, in January 1991, when current executive vp for warehouse and grocery operations Larry Parkin retires.

Charles E. Steinbrueck

Since joining Pace six years ago, Steinbrueck has held positions as vice president of merchandising and executive vice president of sales management at Pace.

Prior to joining Pace, Steinbrueck was with Grand Central, a discount chain in southweastern U.S. and Ardan's, a catalog showroom.

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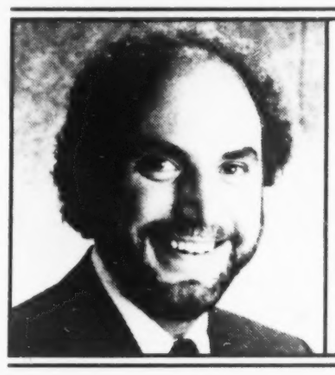
EDITORIAL

What Role Do Store Managers Play?

"So, what about the role of the store manager?" someone recently asked me. "What about it?" I answered. "Well, how much has it changed? How important is the store manager?"

There's no doubt in my mind that the role of the store manager has changed. But the changes are not necessarily for the better. Lately I've given serious thought to what I will call the dilemma of the store manager. I began to wonder: is the relationship between headquarters and stores souring?

As technology has advanced, more and more duties that once were the responsibility of the store manager are now controlled by the headquarters office. One can only wonder if the role of the store manager has been reduced to an administrative position, a paper shuffler.



TONY LISANTI
Editor

That's why it's time for a *DSN* opinion poll! An opportunity for the store managers (and headquarters people) to sound off and fax me your feelings. But first, a simple quiz to get you in the mood:

- True or false: The role of the store manager is a dilemma for many retailers.
- True or false: The store manager performs one of the most difficult jobs in retailing.
- True or false: The store manager is one of the most important assets for a retailer.

If you are from headquarters and answered true to these questions,than chances are you care about the store manager and your stores are performing well. If you are a store manager and answered true then you are viewed as a key decision maker and have pride in your work.

If you are from headquarters and answered false, then your stores probably aren't performing as well as they could. If you are a store manager and answered false, find another job!

The role of the store manager is a frequently discussed topic among retailers and suppliers. Among other frequently asked questions are:

- Does the store manager merely open and close the store?
- Is the store manager involved in merchandising and buying decisions?
- Does the store manager impact the bottom line?
- Is the store manager involved in the community?

There are dozens of other questions, but I'm sure you get the idea. Fax your opinions to: Tony Lisanti, (212) 838-9487.

BUYERS & SELLERS

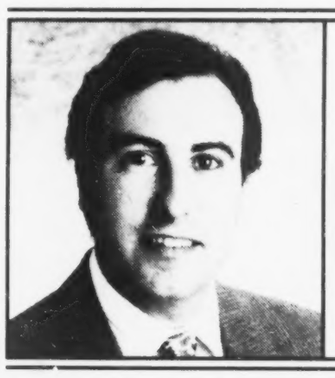
Keeping Sale Items in Stock Worth a Seminar

Last month's IMRA Advertising & Marketing Conference in Charleston, S.C., was loaded with powerful presentations on motivation and leadership, and strategic marketing presentations analyzing the changing consumer.

College basketball coach Jim Valvano gave an impassioned and humorous talk on motivating people to perform at high levels. Valvano emotionally illustrated how a person or company could go from the peak of success (NCAA Championship in 1983) to the depths (NCAA investigation for rules violations) in a short time.

Other highlights included talks on leadership by Dr. Robert Terry and consumer marketing reports by E.I. duPont de Nemours & Co., and Ambassador Cards.

There's no disputing the value of these seminars, yet I came away wishing that more time had been spent on the brass tacks issues of marketing and sales promotions, such as having a sale item on the shelf when the customer comes in to buy it.



DON LONGO
Exec Editor

I wasn't the only attendee to feel that way. A few days after the conference, Alvin Maley, president of Maley Graphics, an agency that works with many of the leading discount retailers, sent me this account of a frustrating situation that could have happened at any of several major retailers:

"This Sunday, after the show . . . a Sears circular caught my attention. There was an ad for batteries: AA's, eight for $4, and D's and C's, six for $4. Circular in hand, I drove to my local Sears. There were thousands of AA's, C's and D's, but none were packed in groups of six or eight. I asked every salesperson about the ad, and they did not know what I was talking about. I went to the service desk where eventually a supervisor showed up. I showed her my circular, which she had *never* seen before. She found a different ad mentioning batteries that started the following week, so she said that my circular was invalid. I pointed out to her that my circular was in color and obviously national, while the ad she referred to was in black and white and local. She said, 'sorry.' I had just finished listening to William D. Coston, a lawyer, head a session [at the IMRA conference] on New Regulation of Price Claims in Ads. He told of the fines retailers were being forced to pay because of infractions like those I was subjected to, as well as others . . ."

The message: advertising and sales promotions can't be executed in a void. There needs to be coordination throughout the system: at the supplier, at headquarters, at the retailer's warehouse and, most importantly, at the store.

WASHINGTON REPORT

Coming Attractions: Child Labor Crackdown

Watch out! U.S. Labor Department enforcers are coming back to life.

Indeed, having recently revived the Occupational Safety and Health Administration, Ms. Dole and her lieutenants are breathing new life into federal child labor law enforcement.

At a meeting with retail industry leaders last month, Secretary Dole issued a clear warning to all businesses employing teenage workers.

To be sure, she did express sympathy for retailers who find it increasingly difficult to recruit enough workers to keep stores open evenings and weekends. But at the same time, she warned the industry against cutting corners by keeping young employees on the job longer than federal law allows.

Indeed, she maintained that the current labor shortage "has led some employers to violate our child labor laws."

The basis for Dole's accusation: new DOL statistics showing that the number of child labor violations has more than doubled over the past four years.

What she didn't tell the group, however, was that well over one-third of these violations occur in retail stores.

KEN RANKIN

Moreover, when those Wage and Hour agents come around, they will be armed with stiff new penalties.

Indeed, Dole has instructed Wage-Hour investigators to begin imposing fines for each violation—not just each employee. As a result, penalties could skyrocket in situations involving multiple infractions.

The Department of Labor's child labor crackdown takes on added significance for discounters in view of the new federal "training wage" program implemented earlier this month.

If the subminimum training wage works as advertised, chains could be bringing in hordes of youths just in time to attract attention from Liddy Dole's Labor Department.

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We welcome our readers' views: Letters to the editor should be addressed to: **Editor, *Discount Store News*, 425 Park Ave., New York, NY 10022** or Fax (212) 838-9487.

Eighty percent of non-food chains stock cleaners regularly. Most advertise it consistently to build traffic.

First of a Two-Part FM *Special Report*

How the Non-Food Trade Treats Groceries

To study how the non-food trade is strategically treating the highest-tonnage, highest-consumption grocery categories, FM *commissioned Nebraska-based Fairfield Research to conduct a national trade retailer survey of the merchandising/promotional trends for grocery categories.*

The research concentrated on the drug and discount chains generating the highest-volume sales, and came out with a sample that included 20 major discount chains and 30 major drug chains throughout the country.

For the highest-tonnage groceries, a number of issues were studied, including industry-wide penetration or distribution levels, advertising, merchandising, pricing, and the margin strategies employed.

Among the drug store chains that were surveyed, the median number of stores operated was 22. However, 30 percent of the drug chains surveyed operated more than 200 stores.

Among the discount store chains surveyed, the median number of stores operated per chain was 81. However, 30 percent of the discount chains that were surveyed operated more than 200 stores, and 25 percent had 2,200 or more stores.

Strategies include identifying margins, sell-throughs, the best-selling items in the most productive categories, and the best categories for everyday merchandising.

The drug chains surveyed accounted for approximately $11 billion in chain drug store sales, while the discount chains accounted for some $51 billion of total discount store sales.

Drug chains use grocery departments to attract the convenience-minded shopper and create incremental sales.

CANDY/GUM. Virtually all drug and discount chains have candy and gum departments. Nearly all drug and discount chains advertised this category in 1989; 40 percent of all discount chains and 14 percent of all drug chains said they advertised this category more in 1989 than in 1988, and 20 percent of discount respondents and 17 percent of drug respondents said they also plan to advertise this category more often this year. No one said they intend to advertise it less often this year.

Candy and gum are perceived as excellent categories for generating incremental impulse sales. Usually they are given several locations within a store: a home department in a candy section, off-shelf displays in high-traffic aisles, and prime real estate at or near the checkout counters.

Almost half of all discount chains advertise candy and gum at least once a week, while drug chains generally advertise these categories at least once every two or three weeks.

Discount chains usually take a 21 percent margin on their everyday candy departments, while drug chains are even more aggressive, generally opting for an 18 percent margin.

The sale price is usually 20 percent less than the suggested retail price when discount stores advertise candy and gum, and an average 28 percent off when drug chains advertise the category.

Buyers for both trade classes report that their sell-throughs on this category are extremely strong, averaging 84 percent sell-throughs in discount stores and 74 percent in drug stores.

The best-selling brands are Hershey, Wrigley, and Mars' Snickers.

SNACKS, CHIPS, COOKIES. Snacks, chips, cookies, cakes and

Percent of Non-Food Chains Merchandising Groceries

Category	% carrying everyday and promoting		% only promoting	
	Discount store	Drug store	Discount store	Drug store
Candy/gum snacks/chips	100%	100%	0%	0%
Cookies/cakes	90	89	5	3
Soft drinks	65	86	20	3
Other non-alcoholic beverages	69	66	16	3
Beer, wine, liquor	n.a.	34	6	7
Pet foods	72	38	0	21
Household cleaners	82	86	6	0
Paper products	71	93	12	0
Food wraps	77	64	6	7
Garbage bags	77	86	6	4
Packaged groceries	28	29	39	29

n.a.—Small respondent base
Source: Fairfield Research

nuts are almost as standard a department in non-food stores as candy and gum. Nine out of 10 of both discount and chain drug respondents said they have everyday departments for the snack category.

Discount chains, however, are more aggressive than drug chains in promoting the department. A total of 85 percent of the discount chain respondents said they advertised snacks in 1989 compared to 57 percent of the drug chain respondents.

One source suggested this may be because many drug chains merchandise snacks close to soft drinks and candy, which are both categories that are advertised almost weekly. "We don't advertise snacks that often," said one buyer, "because when we get the consumer in with the soft drink ad, we feel she's going to see the snacks and will buy them on impulse."

Advertising snacks

A third of all discount chains advertise snacks at least weekly, while a quarter of all drug chains advertise this category that often. Half of all drug chains and three quarters of all discount chains advertise snacks at least monthly.

A third of the discount respondents and a quarter of the drug respondents said they advertised snacks more often in 1989 compared to 1988. The same number—11 percent—of both drug and discount respondents also said they planned to keep advertising it more in 1990. Only 2 percent said they planned to advertise it less often this year.

Discount chains usually take a 20 percent margin on their everyday snack departments, while drug chains are again more aggressive, generally opting for a 15 percent margin.

The sale price on advertised snacks is usually 19 percent less than the suggested retail price when discount stores advertise this category, and an average 26 percent off when drug chains advertise it.

Buyers for both trade classes report that their sell-throughs on this category are very strong, averaging 79 percent sell-throughs in discount stores and 78 percent in drug stores.

The best-selling brand, especially in discount stores, is Frito-Lay, named by 47 percent of all the discount chain respondents as their best brand. The drug chain respondents also picked Frito-Lay as their best seller, but by a smaller amount, 19 percent. Another 11 percent named Keebler's line of snacks.

Candy, carried in over 90 percent of all non-food stores, is up over 20 percent a year in sales. Both ads and prominent displays drive the sales.

SOFT DRINKS. Soft drinks is gradually becoming more and more of a standard everyday department in non-food stores, especially in chain drug stores. Nearly nine out of 10 of the chain drug respondents said they have everyday soft drink departments, while 65 percent of the discount respondents reported stocking soft drinks everyday.

Discount chains and drug chains, however, are just about even in promoting the department. Seven out of 10 respondents said they advertised soft drinks in 1989.

Buyers said soft drinks and candy are two of their best categories for building traffic and pulling consumers into stores.

A fifth of all discount chains advertise soft drinks at least once a week, while a quarter of all drug chains advertise this category that often. Half of all drug chains and three-quarters of all discount chains advertise soft drinks at least once a month.

A third of the drug store respondents and 29 percent of the discount respondents said they advertised soft drinks more often in 1989 compared to 1988. A total of 16 percent of both drug and discount respondents also said they planned to keep advertising it more in 1990. No one said they planned to advertise it less often this year.

Discount chains usually take an 11 percent margin on their everyday soft drinks, while drug chains opt for a 9 percent margin.

The sale price on advertised soft drinks is usually 12 percent less than the suggested retail price when discount stores advertise this category, and an average of 26 percent off when drug chains advertise it.

Buyers for both trade classes report that their sell-throughs on this category are very good, especially in drug chains, where they average 92 percent sell-throughs per ad. Discount chains average about 64 percent sell-throughs, the survey found.

The best-selling brand, especially in drug stores, is Coke, named by 52 percent of all drug chain respondents as their best brand. Also naming Coke as their best seller was 35 percent of the discount chain respondents. Another 23 percent named Pepsi as their best brand.

OTHER BEVERAGES. It only seems like yesterday that non-food chains first began promoting juices and bottled waters to see "how they'd do," as one buyer put it. Now they're almost as easy to find in non-food stores as they are in food stores, where they average entire gondola runs of space.

Today 69 percent of all discount chains stock bottled waters, juices and other non-alcoholic beverages, and so do 66 percent of all drug stores.

Two-thirds of all discount stores advertise this category, and so do nearly half of all drug chains.

A quarter of all discount chains advertise these types of beverages at least once every two or three weeks, while a tenth of all drug chains do the same. Nearly half of all drug chains and two-thirds of all discount chains advertise juices and waters at least monthly.

A third of the drug respondents and 19 percent of the discount respondents said they advertised juice and water drinks more often in 1989 compared to 1988. The same amount—19 percent—of drug and discount respondents also said they planned to keep advertising it more in 1990. Just 3 percent said they planned to advertise it less often this year.

Discount chains usually take a 7 percent margin on their everyday juice and water products, while drug chains tend to try to get a little more profit from this category. They average a 13 percent margin.

The sale price on advertised juice and water drinks is usually 8 percent less than the suggested retail price when discount stores advertise this category, and an average of 26 percent less when drug chains advertise it.

Buyers for both trade classes report that their sell-throughs on this category are reasonably good, especially in discount chains, where they average 67 percent sell-throughs per ad. Drug chains average about 54 percent sell-throughs.

The best-selling brand, especially in discount stores, is Ocean Spray, named by 31 percent of the discount chain respondents and 5 percent of drug chain respondents. However, Perrier was named by 10 percent of the drug respondents as their best brand.

Gatorade, Sundance, Very-Fine, Mountain Valley and Crystal Springs were also singled out by the drug trade, while discounters also singled out Minute Maid, Tropicana, Sayers and Crystal Springs.

Average Gross Margin

Category	Discount store	Drug store
Candy/gum	21%	18%
Snacks/chips/cookies/cakes	20	15
Soft drinks	11	9
Other non-alcoholic beverages	7	13
Beer, wine, liquor	n.a.	7
Pet foods	10	7
Household cleaners	9	14
Paper products	n.a.	8
Food wraps	7	10
Garbage bags	7	16
Packaged groceries	11	11

n.a.—Small respondent base *Source: Fairfield Research*

HOUSEHOLD CLEANERS. Household cleaners is another one of those high-consumption commodity categories that has found a permanent home in non-food stores as a standard day-in, day-out department. A total of 82 percent of the discount respondents stock this category everyday, as do 86 percent of all drug respondents.

Nearly three-quarters of all discount stores advertised this category, as did two-thirds of all drug chains.

A fifth of all discount chains advertise household cleaners at least once a week, while a tenth of all drug chains do the same. About 80 percent of all drug chains and more than a half of all discount chains advertise cleaners at least once a month.

The survey showed that 27 percent of discount respondents and 13 percent of the drug respondents

The Most Frequently Promoted Groceries in Discount Stores

Category	Number of times advertised per year
Candy/gum	38
Snacks/chips/cookies/cakes	31
Paper products	26
Soft drinks	23
Household cleaners	21
Food wraps	20
Garbage bags	20
Packaged groceries	20
Other non-alcoholic beverages	16
Pet foods	12
Beer, wine, liquor*	n.a.

**—Small respondent base*
Source: Fairfield Research

The Most Frequently Promoted Groceries in Drug Stores

Category	Number of times advertised per year
Soft drinks	41
Household cleaners	39
Paper products	39
Food wraps	34
Candy/gum	33
Garbage bags	28
Beer, wine, liquor	27
Snacks/chips/cookies/cakes	18
Other non-alcoholic beverages	13
Pet foods	7
Packaged groceries	6

Source: Fairfield Research

Strategies for Pricing Everyday Groceries

Policy	% of discount stores responding	% of drug stores responding
Use a set mark-up over cost	30%	40%
Discount off the suggested retail price	30	20
Average mark-up over cost	31	26
Average percent discount used	15	17

Source: Fairfield Research

A total of 71 percent of discount chains and 93 percent of drug chains have everyday paper good departments.

said they advertised cleaners more often in 1989 compared to 1988. When asked if they plan to keep advertising it more in 1990, 7 percent of the discount respondents answered favorably as did 4 percent of the drug respondents. No one said they planned to advertise it less often this year.

Anticipated margins

When discount chains merchandise cleaners they usually take a 9 percent margin everyday, while drug chains tend to try to get a little more profit from this category and go for a 14 percent margin.

The sale price on advertised cleaners was usually 10 percent less the suggested retail price when discount stores advertised this category, and an average 26 percent less when drug chains advertised it.

Buyers for both trade classes reported that their sell-throughs on this category were very good, both in discount chains where they averaged 75 percent sell-throughs per ad, and in drug chains where they averaged about 77 percent sell-throughs.

The best-selling brands in this category were Windex and Tide, but many buyers also singled out the Lever Brothers stable of cleaning products as well as those made by Dow Chemical.

PAPER PRODUCTS. Like household cleaners, paper products like toilet and facial tissues are also staples in today's non-food store.

Almost three-quarters—71 percent—of the discount chain respondents carried these products everyday, as did 93 percent of all the chain drug respondents.

Seven out of 10 respondents also advertised this category regularly.

Paper is one of those high tonnage/high usage categories that non-food chains like to advertise. Over a quarter of the respondents in both trade classes reported they advertised some paper at least once a week.

Also, 15 percent of both the drug and discount respondents said they advertised paper products more often in 1989 compared to 1988. However, only 5 percent of all the respondents said they planned to keep advertising it more in 1990. No one said they planned to advertise it less often this year.

Traffic builders

Discount chains' everyday paper product departments usually take margins averaging in the mid-teens. Drug chains, again trying to build traffic, often go out at 8 percent margins.

The sale price on paper products was usually about 4 percent less the suggested retail price when discount stores advertised this category and an average 25 percent less when drug chains advertised it.

Nearly a fourth of all drug and discount chains stock at least some packaged grocery items everyday.

Buyers for discount stores weren't able to estimate average sell-throughs for this category, but drug chain respondents indicated that their sell-throughs for this category are very good, averaging 75 percent per ad.

Best-selling brands

The buyers said the best-selling brands in this category are Charmin, Kleenix, Hi and Dry, Bounty, Northern, and Puffs. Some of the respondents named manufacturers rather than brands. The two companies mentioned most often were Kimberly-Clark and Scott.

PACKAGED GROCERIES. Packaged groceries are still on a growth curve in most non-food stores. Nearly a fourth of all drug and discount chains said they stocked at least some grocery items everyday, but even more chains preferred to promote them as traffic-building in-and-out specials.

Buyers with regular grocery departments said it's an "opportunistic" category for their stores, generating traffic, increasing the frequency of customer visits, and helping the store service the convenience needs of their shoppers.

About 28 percent of the discount respondents now stock this category everyday, as do 29 percent of all drug respondents.

A third of all discount stores advertised this category, as did 37 percent of all drug chains.

Almost half—41 percent—of all discount chains advertised packaged groceries like soups, microwavable meals, cakes mixes, etc. at least once every two or three weeks, while a third of all drug chains said they advertised the category at least monthly.

A total of 42 percent of the discount respondents and 6 percent of the drug respondents said they advertised groceries more often in 1989 compared to 1988. In addition, 8 percent of discount respondents and 6 percent of drug respondents said they planned to keep advertising it more in 1990. No one said they planned to advertise it less often this year.

When discount and drug chains carry packaged groceries everyday, they usually take an 11 percent margin.

The sale price on advertised groceries was usually 17 percent less the suggested retail prices when discount stores advertised this category and an average 22 percent less when drug chains advertised it.

Terrific sell-throughs

Buyers for both trade classes reported that their sell-throughs on this category were exceptionally good, both in discount chains where they averaged 82 percent sell-throughs per ad, and in drug chains where they averaged about 77 percent sell-throughs.

Buyers found it hard to single out brands in this category, preferring to mention major manufacturers with top brand in a number of product categories.

General Foods, Heinz, Hormel, Lipton, Nabisco, Pillsbury and Quaker Oats were singled out, as was the Duncan Hines baking good lines.

Editor's Note: Look for part two in the summer edition of FM.

What Determines the Brand to Promote
(Ranked by importance of attributes)

Factor	Discounter's ranking	Drug store's ranking
High sell-through percentages	3.73	3.65
Growth rates of the category	3.73	3.31
Manufacturer's willingness to support retail's ad programs	3.67	3.44
Availability of co-op ad dollars	3.57	3.00
Frequency of useage	3.40	3.59
Dollars invested in consumer advertising	3.36	3.28
Availability of bonuses or special packs	3.33	2.96
Market share	3.25	3.16
% of households purchasing it	3.21	3.72
Availability of backhaul allowances	3.00	2.54
Regional/neighborhood demographics	2.64	3.08
Availability of consumer rebates	2.47	2.27

Note: Ranked on a four-point scale with one being not important and four being very important.
Source: Fairfield Research

HARD LINES

Automotives • Health & Beauty Aids • Hardware • Toys • Stationery • Sporting Goods • DIY

Ethnic Hair: Wave of the Future

Chains Capture Larger Share of Lucrative Market

By Faye Brookman
Special to DSN

Last February, K mart ran a two-page spread advertisement in *Essence Magazine* saluting Black History Month.

Wal-Mart has pulled buying responsibilities for ethnic hair care in-house and designated a buyer for the category.

And Jamesway touts its ethnic selection via bag stuffers and handouts.

These are just three examples of the attention the nation's discounters are paying to the ethnic hair care business, a lucrative $500 million market. Discounters' efforts have paid off; mass merchandise sales increases, according to Nielsen Research, have substantially outpaced other outlets. For example, drug store sales rose only 6 percent and food store volume was only up about 4 percent last year. Discounters, however, registered a 20 percent-plus jump in sales. Moreover, discounters widened their share of the business from only 12 percent just five years ago to 17.1 percent last year.

According to the Chicago-based American Health and Beauty Aids Institute, an industry group, ethnic products are currently outperforming all other health and beauty aids categories especially since the category yields margins of 30 percent to 40 percent and turns of 5.0. That means the increase in business is filtering right to the discounter's bottom line.

Yet most mass merchandisers are still grappling with questions concerning the category. Some are disillusioned with recent growth which, although healthy, is not equal to the staggering sales growth of the 1980s when pricey curl kits and maintenance items paced volume. Others still debate the virtues of using a beauty supplier vs. buying direct. Other hurdles include keeping rampant out-of-stocks in check as well as finding suitable advertising vehicles, especially when the products are not always stocked chainwide. According to some sources, out-of-stocks are as high as 80 percent to 100 percent in discount outlets.

Most industry experts said sales started to flatten as the curl look was supplanted by a variety of other styles. "Today," observed Rosalind Bell, product manager for Lustrasilk, "people are wearing their hair in many different styles. There is a general category move toward dryer hair—gels instead of lotions and more geometric cuts."

Styles inspired by Tracy Chapman, those seen on the basketball court or in the new hit movie "House Party" (the lead character has a buzz cut around the side with a top that stands straight in the air), require some styling aids—but not the expensive tools needed to achieve the curl. Soft Sheen, however, has a product called High Five that is suitable for maintaining the popular high top fade look. Carla Ferrero, spokeswoman for K mart, agreed that there is no huge style success now. K mart, she added, sees a trend toward sculpting gels and stiff-styling sprays.

Many count on a new style to ignite sales. "A styling breakthrough of a celebrity could touch off a mini-boom like the Michael Jackson Jheri-curl of the '80s," said David A. Weiss, president of Packaged Facts, the New York-based research firm.

But while many point at hair styles, Kent Humphreys, president of Jack's Service Co., in Oklahoma City, said the real root of the problem is much more complicated. With its close ties to the beauty salon business, ethnic hair care relies on the beauty trade for new products—something that has faltered. "Today, as a distributor, we're seeing fewer new products and only a few [of them are] professionally driven. Therefore, we're not seeing the sizzle."

According to Humphreys, when large companies embarked on the business in the 1980s, the small companies became short-sighted. They cut back on advertising and research, two critical factors. Additionally, general market firms snapped up many black-owned companies at the same time the business started slowing. These firms have yet to realize the sales potential they thought would come easy.

The ever-changing face of the category encourages many chains such as Ames, Jamesway and K mart to rely on distributors. Among the largest in the business are Standard Distributing Inc., Ben Sheftall, Judith Lynn, Beauty Enterprises, Jack's

(Continued on page 26)

Year-End Analysis of Ethnic Health & Beauty Aids

Category	% Increase '89 vs. '88	Dominant Items in Category
Skin Care	35%	Ambi Skin Cream & Soap, Palmers Cocoa Butter & Skin Success Cream, Artra & Black and White Cream
Hair Color	34	Dark & Lovely permanent and temporary colors
Styling Gels	26	Pro Con Gel, Dark & Lovely Gel, Lekair Gel, Vigorol Gel
Hair Accessories	35	Goody
Shave Products	21	Magic Shave
Relaxers	16	Dark & Lovely Kits, Gentle Treatment Kits, Soft Beautiful Kits, Revlon Kits, Creme of Nature Kits, (Up and coming are Raveen Kits)
Shampoo	14	Creme of Nature shampoo, Leisure Curl, Optimum Care, Care Free Curl
Curl Kits	10	Luster's S Curl, Proline Curly Kit (Up and coming are Lustra Curl Kit and Duke Wave & Curl Kit)
Conditioners & Hairdress	7	Ultra Sheen Conditioner, TCB Scalp Conditioner, B. Bros. Super Grow, Murray's Pomade, Dax Pomade, Sportin' Waves Pomade, TCB Hair Food, Allways Natural Super Gro, Proline Perm Repair, Stylecrest Isoplus

Source: Beauty Enterprises Inc., Hartford, Conn.

MARKETWATCH

Amdura May File For Bankruptcy

DENVER — The financial problems of Amdura Corp., are beginning to affect its ability to distribute hardware and automotives to discount chains. If the distributor fails to secure additional working capital, problems in supplying Ann & Hope, Biggs, Bradlees, Caldor, Hills, Meijer, Rich's, Rose's Stores, Sam's Wholesale Club, ShopKo, Target and Twin-Valu may become severe. Amdura said it will report a "substantial" loss for 1989 and may file Chapter 11 bankruptcy if unable to renegotiate debts. It is attempting to sell its Lincoln, R.I.—based Globe automotives distributorship, acquired in 1988. Amdura was a profitable manufacturer before assuming heavy debt to acquire Globe and the Coast to Coast hardware distributorship.

Merrill Lynch Capital to Buy Whitlock Auto

NEW YORK — Merrill Lynch Capital Partners has agreed to buy the Whitlock Auto aftermarket group from its British parent, Boots Co., for an undisclosed sum. Current management will get an equity interest in the new venture as an inducement to remain. Whitlock operates 260 auto parts stores, including the Rose Auto chain in Florida and R&S Strauss in New Jersey. Consolidated sales in 1989 were about $285 million. Boots Ltd., is selling Whitlock to pay down debt from last year's $1.48 billion takeover of Whitlock's previous parent, Ward White PLC.

Lacey Leaves Northern Auto

PHOENIX, Ariz. — Northern Automotive, the nation's second largest aftermarket group, lost its second chief executive officer in 18 months. John Lacey "resigned" last month for "personal reasons," as did his predecessor, Dan Seiwert, in October 1988. Julius Trump, one of two investor brothers who owns Northern Automotive, declined to name a successor and assumed the title of ceo. In an attempt to reverse a profits slide, the Trumps hired Lacey away from his position as head of the retail division of Molson, the Canadian brewer, offering an equity interest and severance of up to $2 million. Northern Automotive consists of five chains: Schuck's, Checker, Kragen, Crown and Autoworks, operating 850 stores.

OPEI: Accidents Fell Since 1987

ALEXANDRIA, Va. — The number of accidents stemming from lawn and garden power tools fell 13 percent in 1988 to an estimated 59,073 from 68,079 in 1987, the Outdoor Power Equipment Institute reported. Most of the reductions were in injuries related to rotary power mowers, garden tractors and snowblowers. OPEI has been promoting improved product safety standards and enhanced consumer education about using equipment safely. But it neither claimed credit nor offered other explanation for the improvement.

Ethnic H&BA Rides Wave

(Continued from page 25)

Service and Harris. Distributors help determine the size of the set and the mix. These suppliers said most discount sets are in the 8-foot to 24-foot range.

In an effort to make the department more profitable, some chains have eliminated the middlemen. All industry eyes are on Wal-Mart to see how the chain—which was not really even in the business as recently as seven years ago—will fare buying direct. Although this theory has worked for drug chains like Walgreens (generally considered one of the best ethnic merchandisers), some believe Wal-Mart has already dropped some of the briskest movers while adding some "slow turners."

The other retailer in the limelight is Ames as it assumes the Zayre outlets. Zayre was well-known for its ability to serve ethnic markets. Several sources told *DSN* that Ames is having trouble understanding the unique niche and is not realizing the same sales in the ethnic hair care area.

Jamesway, according to Larry Fine, vp, merchandise manager, hard lines, is enjoying good ethnic business especially when the department is promoted. However, since only 25 percent of the chain's stores carry the products, Jamesway can't advertise ethnic hair care in its rotos. Instead, said Fine, the chain hands out fliers in the stores and uses bag stuffers as well. Jamesway puts an ethnic department, usually an 8-foot set near basic shampoo, in stores with about 15 percent ethnic population.

Black traffic in the store is usually the barometer retailers use in deciding whether to stock the items. However, Royal Mack, vp, sales for Lustrasilk, suggested retailers should keep in mind that black consumers will buy these items where they work, shop and visit and, therefore, retailers should offer at least a 3-foot or 4-foot set in all stores. And, according to Mack, these customers will buy many other items in the store that sends out a positive message to the black shopper.

Accordingly, Mack urges retailers to make certain their signage clearly spells out the location of the department. "Everyone did such a good job making the department separate, sometimes they went too far. Imagine the sign saying hair care, aisle 5, but ethnic hair care is over an aisle on the right. The shopper will be confused," Mack said.

Soft Sheen planning and promotion manager Rodney Lawrence said endcaps are important in today's price-driven environment. Soft Sheen has been providing discounters with such value-added promotions as a 12-ounce Care Free Curl activator and moisturizer and a Care Free Wave Activator buy-one-get-one-free promotion.

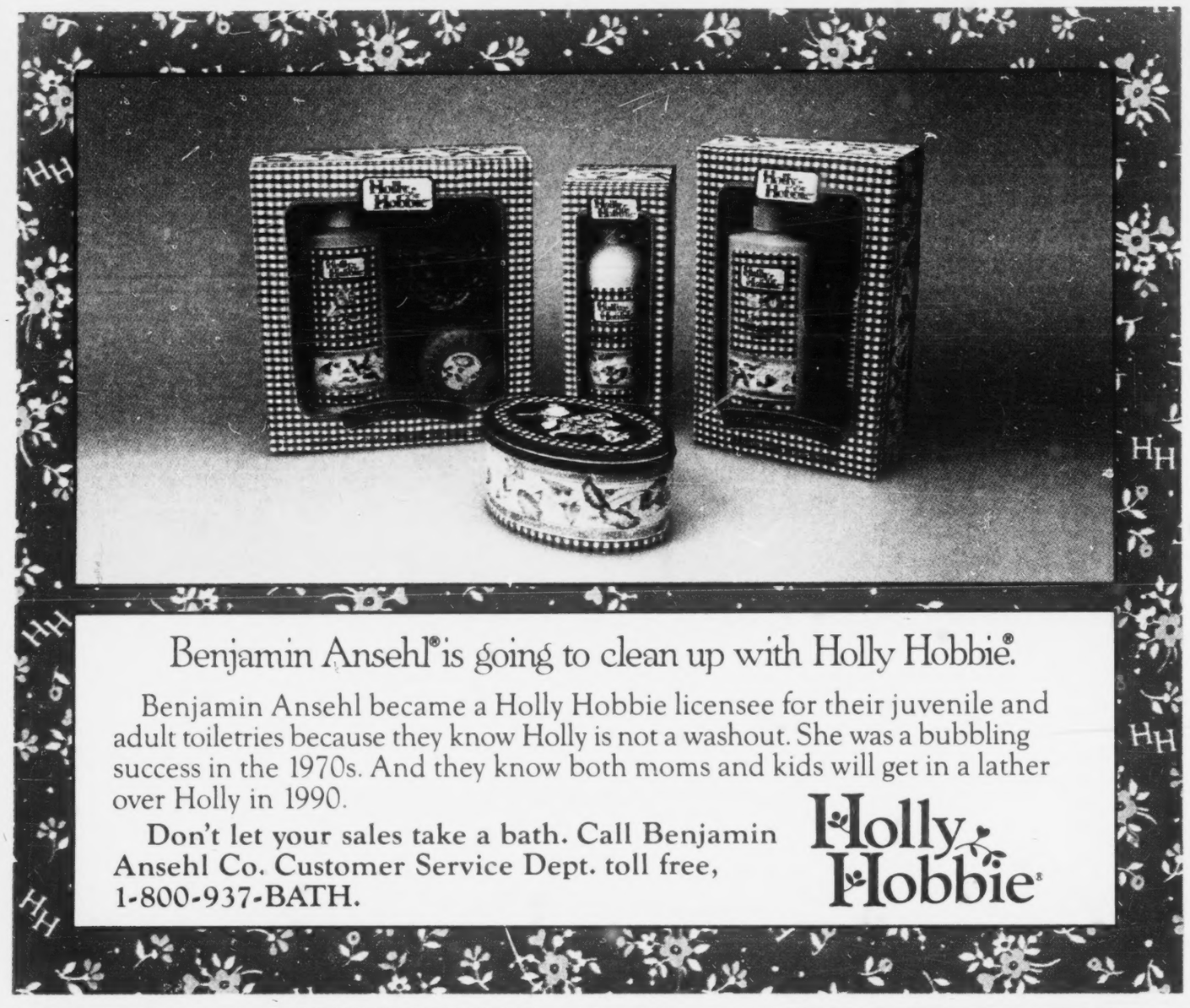
"Discounters have been very aggressive in pricing and emphasizing larger 32-ounce sizes. Endcap displays are an opportunity to put excitement into the company," Lawrence noted.

While some product categories have cooled, others are heating up. Lustrasilk's MoistureMax was singled out by several buyers as was Soft Sheen's Optimum Care.

"Dry curl and body wave styles begun by Leisure Curl are still very popular in salons which are using Leisure Curl, Wave Nouveau and Optimum Products. Retail maintenance items copying Wave Nouveau's Finish Lotions and Finish Mist are strong growth areas," reported Jim Normandin, senior buyer for Beauty Enterprises (see chart).

The future is bright for discounters. While supermarkets do not seem to give the department enough space and drug stores are battling financial strains by paring inventories, discounters are in a good position to gain favor with ethnic shoppers.

"While they currently account for 20 percent to 25 percent of the total population, these ethnic groups (including black, Hispanic and Asian) are growing faster than others and their income level is rising, too," said Weiss of Packaged Facts.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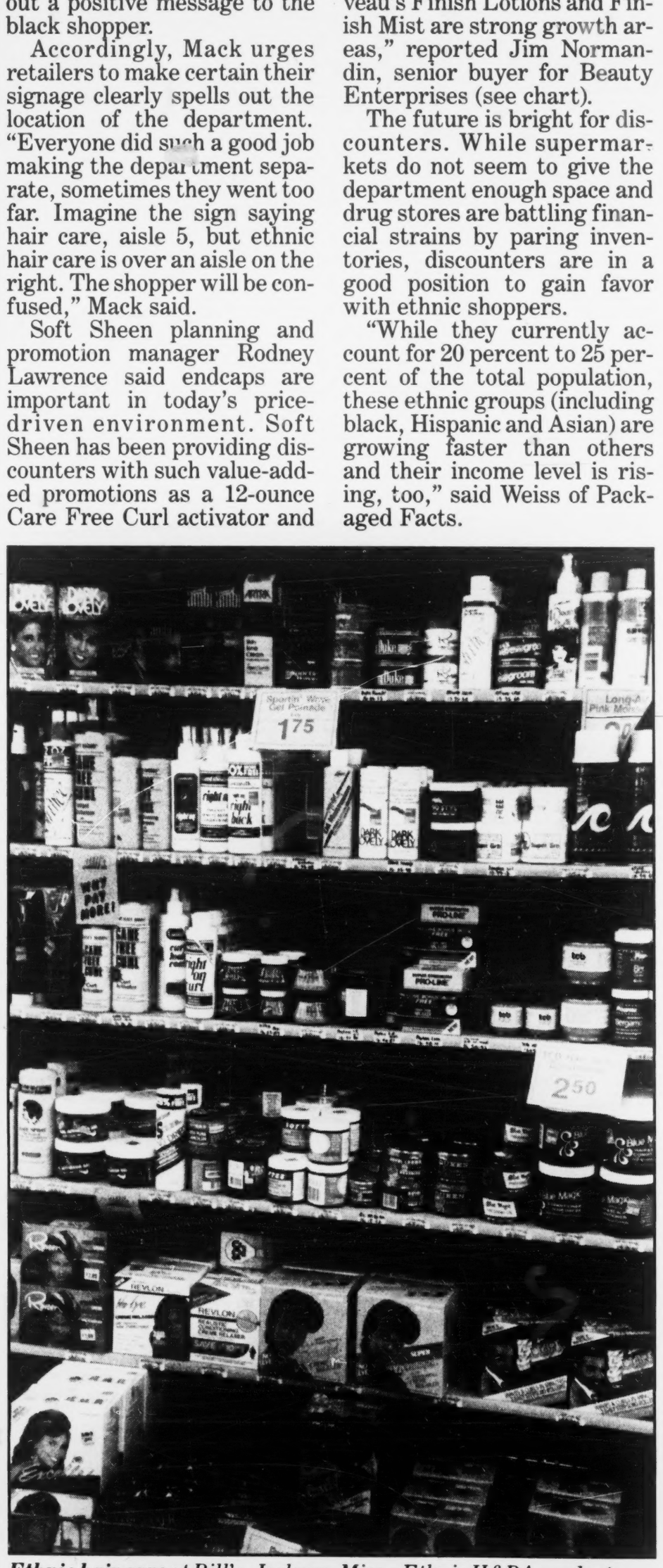


***Ethnic hair care** at Bill's, Jackson, Miss.: Ethnic H&BA products are outperforming all other H&BA categories.* (DSN photo)

Hypermart USA Units Receive SuperCenter-type Facelift

(Continued from page 1)
they are sharply priced—about 20 percent gross margin—that are in the black only because they are low cost operations.

The "hassle" of maintaining and executing a low-cost operation, "living on the edge," isn't worth the effort as Wal-Mart could get a better return on its financial, time and energy investment from the Wal-Mart SuperCenters, one source said.

The original Hypermart USA prototype tested a hybrid hypermarket idea—a full-line supermarket combined with a narrow but deep general merchandise assortment that was modeled on the limited mix Wal-Mart uses so successfully in its Sam's Wholesale Clubs.

Wal-Mart SuperCenters are combined full-line supermarkets and Wal-Mart discount stores. Wal-Mart has indicated in the past that this conventional hypermarket concept—which can also make the discounter a power in the supermarket field—will play a major role in its growth, both as a vehicle in new markets and in remodelings and expansions of current stores.

Wal-Mart, however, is still searching for the exact hypermarket prototype concept. It hasn't yet disclosed any massive rollout of the Wal-Mart SuperCenters. Instead, it is probing different sized stores, department arrangements and assortments, with three units, so far, announced for this year: Jefferson City and Poplar Bluff, Mo., (each 186,000-square-feet), Batesville, Ark., (178,000-square-feet), and Sikeston, Mo., (158,000-square-feet).

The remodeling of the three Hypermart USAs involved:

- Adding more national brands in the supermarket area to expand the variety of labels and products. The food side of the store takes up 25 percent of the unit but accounted for about half the volume.
- Increasing the 40,000-sku assortment to about 120,000 sku's. The main effort was in the general merchandise area as a typical Wal-Mart discount store assortment replaced the Sam's-type limited mix.
- Narrowing the aisles so the stores can house more fixtures for the expanded assortment.
- Replacing the warehouse-type racking for toys, hardware, automotive and sporting goods with more traditional discount store fixtures. This lowered the sight level in the stores' rear right quadrant.
- Developing controlled access departments for sporting goods and for hardware/auto to go along with setup already used for electronics/camera.
- Switching toys from the right rear to the right side, which had housed sporting goods and hardware/auto.

Prior to the official unveiling of Wal-Mart's Hypermart USA, the discounter had outlined some general merchandise changes planned for the stores in local ads. The expanded departments customers would be seeing included: sporting goods; office supplies; cosmetics/HBA; plumbing/electrical supplies; lawn and garden; fabrics/crafts/-sewing notions; paint, with mixing and tint service, and apparel and accessories.

Changing the Hypermart USAs to Wal-Mart SuperCenters completes a developmental circle. The chain's original plan was the Wal-Mart SuperCenter. But founder Sam Walton wanted a hypermarket that would be more sharply priced than that venture, operating on margins closer to Sam's Wholesale Club's average 10 percent gross.

WORKplace Steps Up Growth, Prototype Store

(Continued from page 3)
WORKplace's new prototype is merely an extension of its original concept, Westerfield said. That concept closely resembles consumer electronics superstores: clean and well lit, with consumer-friendly displays, wide aisles and extensive service.

In the Pinellas Park store, business electronics have moved front and center, with staples like paper products moved to the sides of the store. A bargain aisle of mainly products like typewriters has also been added to the center.

The electronics department has been beefed up considerably. WORKplace now stocks 11 sku's of personal computers, ranging from inexpensive entry-level models up to powerful Epson and Emerson models. The assortment now contains laser printers and other high-end peripherals, which vice president, merchandising Jim Nakamura said were selling very well.

WORKplace is also making a major statement in fax machines and supplies, stocking models from Murata, Sharp, Brother, Epson and Toshiba.

The company recently raised an additional $5 million from original investors to fund expansion, and according to an industry source, the company has turned marginal profits in each of the last four fiscal months.

Westerfield noted that the company has been successful in cutting down on the cost of building new stores, and WORKplace's extensive advertising has attracted so much attention that sales at new units quickly mushroom. Sales at larger units are reported to annualize at some $10 million.

Yellow Front in Race to Find Capital

(Continued from page 3)
expires April 20.

Among the major trade creditors, Yellow Front owed: GNB, $640,000; Northern Automotive, $609,000; BASF, $539,000; Levi Strauss, $445,000; Pennzoil, $308,000; Hasbro, $133,000; and Rubbermaid, $129,000, the filing shows.

The privately owned chain cannot consider submitting a reorganization plan to emerge from bankruptcy unless it is recapitalized, said Andrew Brozman, Yellow Front's bankruptcy lawyer with the New York firm of Anderson Kill Olick & Oshinsky.

No further bankruptcy court action is scheduled, he said.

Although operating out of Phoenix, Ariz., Yellow Front declared bankruptcy in New York where its parent, Yellow Front Holdings, is based.

"The $64,000 question is what will happen next," Brozman said. "I can't rule out that Yellow Front might emerge in a different format."

At Yellow Front, Robert Bove left as president, and David Stoup, one of two partners in Kenmare Capital, has assumed the presidency. Stoup was unavailable for comment.

In 1987, New York-based Kenmare was the major investor in the purchase of Yellow Front from Lucky Stores, which spun off its non-food operations following an LBO.

Bradlees Reshuffles its Executives

(Continued from page 1)
a release announcing the executive restructuring.

Bradlees general merchandise managers and its vp of marketing now will report to Berman, rather than to the president. They are: Herbert Douglas, vp, hard lines; John Gounaris, vp, soft lines; and Fred Gelfand, vp, marketing.

In another indication of how Stop & Shop has split Granoff's duties, it has promoted Norm Chalphin to senior vp for stores and operations from vp, stores.

Peter Vagi, vp, store design and engineering now reports to Chalphin.

Schaeneman was unavailable for comment on the reasons for and implications of his restructuring.

It is the second major executive reshuffling at Stop & Shop since Kohlberg Kravis and Roberts took over Stop & Shop in a $1.3 billion leveraged buyout April 1, 1988.

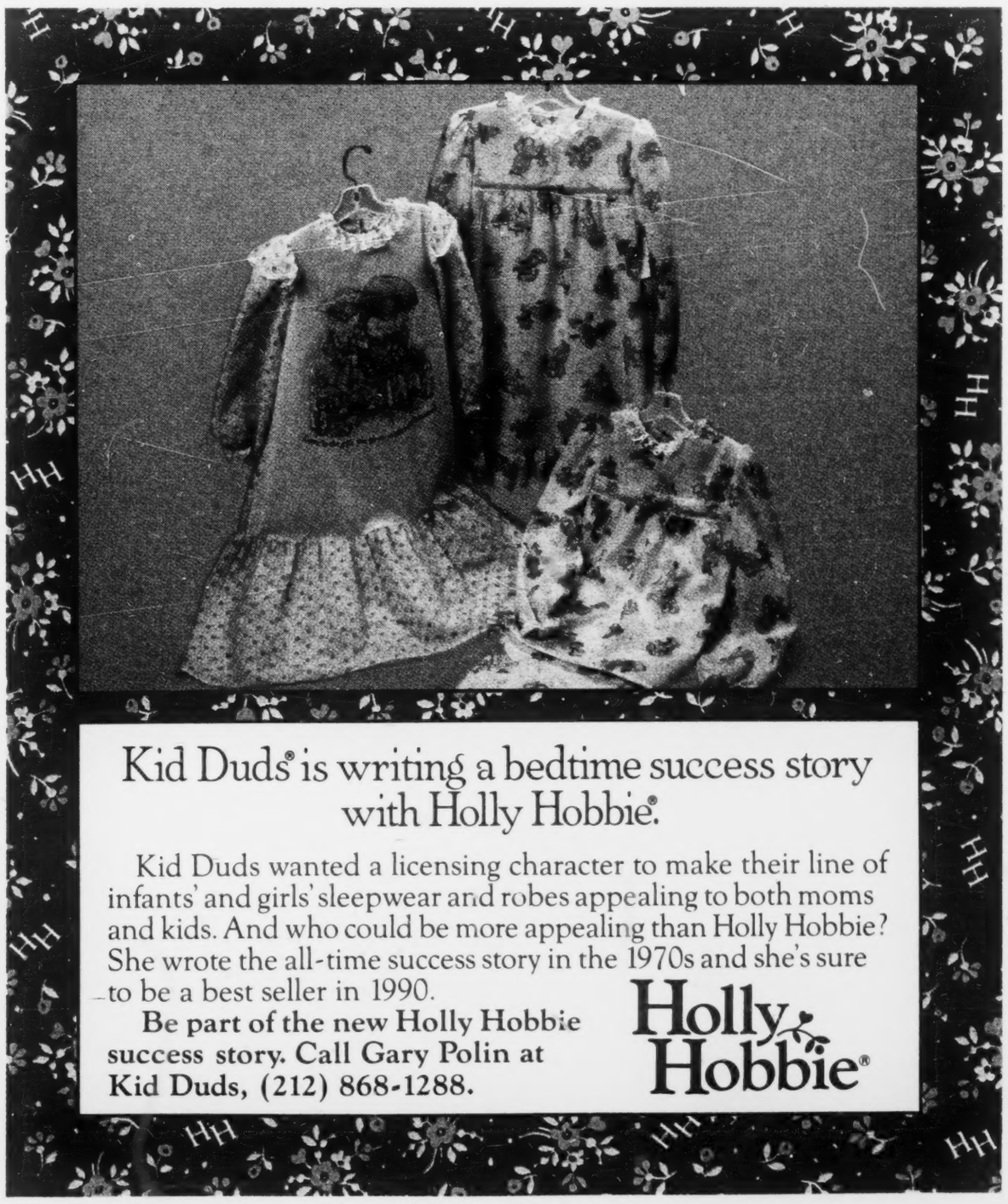
Last year, Carol Goldberg resigned as ceo of Bradlees and executive vp and coo of Stop & Shop, along with her husband, Avram Goldberg, Stop & Shop chairman and ceo, leading to Schaeneman's appointment.

Following the LBO, Bradlees closed 31 of its money-losing Southern district stores in 1988, leading to a surge in operating profits to $84.9 million in 1988 from $57 million in 1987. The company now operates 130 stores.

But in 1989, Bradlees operating profits plunged 34.7 percent to $55.4 million, or below the $57 million recorded in 1987. Sales dropped 17 percent to $1.75 billion in 1989 from $2.11 billion in 1988, Stop & Shop reported in its financial statements for the year ended Jan. 27, 1990.

On a same store basis, Bradlees sales rose 2 percent in 1989, only one-half the 4 percent increase in 1988 and a further decline from 5 percent prior to the LBO.

Stop & Shop attributed Bradlees profits decline last year to softer sales and reduced margins that stemmed from last year's heightened promotional pressures.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What Went Wrong at Ames

By Pete Hisey

ROCKY HILL, Conn. — It will be a long, bitter road back for Ames Department Stores. Its Chapter 11 filing on April 25th is the largest bankruptcy in the history of discounting, comparable only to the dissolution of W.T. Grant and, if you stretch it, to Arlen's and King's in the 1970s.

But what brought it on, where will it end, and what will the consequences be for the discount industry? Specifically, can Ames survive and who will benefit most from its troubles?

From this vantage point, the bankruptcy was brought on not only by the obvious culprit, the October 1988 acquisition of the tottering Zayre chain, but by Ames' subsequent inability to decide what it was going to do with the 388 stores it purchased.

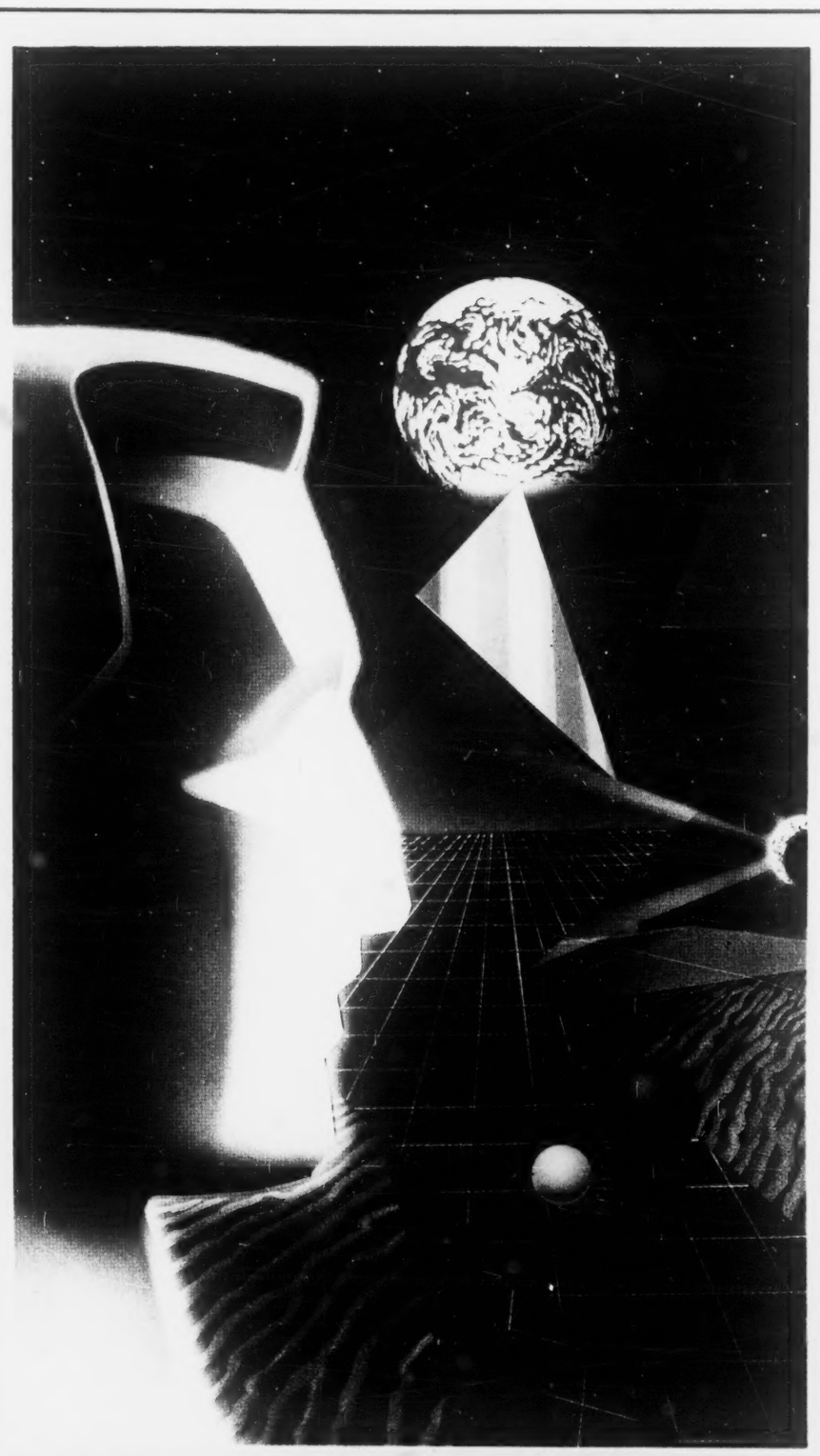
At first, Ames planned to run most of them as a Zayre business unit after pruning away some 79 unsalvageable sites. Then, Ames decided to keep the Zayre name only in urban markets, but to spruce up these inner-city stores while converting the rest to the latest Ames prototype. Then, without even waiting for customers to adjust, the chain jettisoned the Zayre name altogether, and shortly thereafter folded its "urban" buying operations into Ames corporate merchandising staff.

In a series of perhaps ill-timed moves, the chain effectively alienated whatever customers had hung on with Zayre by eliminating the loss leaders that they loved so much, then the name itself, and finally most of the urban consumer specific goods with which the revamped Zayre buying staff had stocked the shelves. And, Ames offered very little to attract new shoppers.

(Vice chairman Peter Hollis resigned on April 30 and was replaced by former Target, Ward, and McCrory executive Stephen L. Pistner. Pistner is known as an aggressive turnaround artist, and is generally credited with re-establishing Target in the 1970s. He joined Montgomery Ward in 1981 and McCrory in 1985.)

Historically, Ames has been primarily a rural chain, often called (until recently) the Northeastern Wal-Mart. Under the Gilman brothers, who

(Continued on page 202)



***"Go forth to meet the shadowy Future,** without fear, and with a manly heart," wrote Henry Wadsworth Longfellow in 1839. Longfellow, like today's progressive retailers, knew that the future always holds great promise for those brave enough to adapt to its changing shape. In a special report, beginning on page 95, DSN explores the major issues shaping the future of retailing.*

Goldberger Maps Changes

Hills Updates Merchandise; Plans Prototype for '91

By Laura Liebeck

CANTON, Mass. — After a tough year, Hills Department Stores, which ended 1989 on an upbeat note, is poised for some dramatic changes in '90.

Hills is already testing a number of new merchandise display programs, some of which could end up in a new prototype store slated to open in 1991. Currently, Hills is testing a grid display and rounders in its Lima, Ohio, and Roanoke, Va., apparel departments.

***Steven Goldberger,** chairman, president, and ceo of Hills.*

The new prototype store will be between 90,000 square feet and 100,000 square feet, as much as 25 percent larger than current stores. It will feature wide drive aisles, more departmental identification, fewer pipe racks, and an increased use of fixtures such as rounders, said Steven Goldberger, chairman, president, and chief executive of the 210-unit discount store chain.

In a recent interview with *DSN* in his Canton office, Goldberger emphasized that Hills' merchandise mix will not change dramatically; the stores will remain heavily attuned to apparel, but will utilize a more visually effective presentation of its merchandise. Hills also will continue to emphasize brand names through in-store signage and fixtures.

The larger prototype store will also provide Hills an opportunity to beef up some departments that currently are "underspaced," such

(Continued on page 201)

'Shop Concept' Big at Jamesway

By Jill Lettich

SECAUCUS, N.J. — Jamesway Corp., headquartered here, has opened two larger prototype stores that emphasize new shop-within-a-store concepts, computerized scanning, and newer, attractive fixturing.

The new stores, in Matawan, N.J., and Kingston, N.Y., are two of five Jamesway units opening this year, according to Arlie Lazarus, president. At 82,000 square feet and 78,000 square feet, respectively, the newest stores represent a trend toward larger retail spaces for the discounter.

"The size of the stores really depends on the area they are in," Lazarus said. However, he noted that Jamesway's soon-to-open Stafford, Va., store, at 70,000 square feet, is larger than that locale would normally need. An average Jamesway store runs about 60,000 square feet.

Although larger in space, both the Matawan and Kings-

(Continued on page 201)

***Jamesway is showcasing** important national brands such as McGregor through shop-within-a-store displays.* (DSN photo)

MARKETWATCH

Patterson Declines Kmart Executive Post

TROY, Mich. — Wayne Patterson, former co-chairman of Pace Membership Warehouse, decided not to assume the position of executive vp, specialty retailing at K mart. Instead, Patterson will pursue other interests. No one has been named to the specialty retail post, now held by Larry Parkin, who is retiring at year-end.

Nusim to Launch New Wholesale Club

CINCINNATI — Joe Nusim, former president of the Makro Inc. wholesale club chain that was purchased by K mart last year and later folded into its Pace Membership Warehouse acquisition, is launching a new warehouse chain: Metro Warehouse. Nusim has secured $25 million in financial backing and plans to open his first unit either in New Jersey or Long Island. Within four years, he plans to have 21 units. Metro Warehouse's initial operating areas will be in New York, New Jersey and Connecticut. The new warehouse club chain will seek out second use sites for its units. Nusim will leave Makro when the nine-unit chain is completely merged into PACE this summer.

Office America Adds Staff for Expansion

RICHMOND, Va. — Eleven-unit Office America, gearing up to open five more office supply superstores—Indianapolis and Raleigh (two), Charlotte and Gastonia, N.C.—has hired four vice presidents. They are: Kenneth S. Gorvy, formerly with Ernst & Young, as vp and cfo; W. David Hiner, a Best Products regional vp/general manager, as vp of operations; Robert A. Kendig, previously Best's senior vp of merchandising/marketing, as vp of merchandising, and James K. Mayo, formerly L. Luria and Son's director of stores, as vp of administration.

Sears May Go 'Crazy' With Brand Central

CHICAGO — Sears, which has been rolling out its Brand Central CE departments far ahead of schedule, is now looking at former Crazy Eddie locations for free-standing versions of Brand Central. Kathy Gucfa, a Sears spokesperson, confirmed that the company had looked at several sites, but had reached no decision on them or any other metro New York locations. According to *The Daily News*, however, the company is considering five sites; two in northern New Jersey, and three others in Manhattan, Brooklyn and Queens.

Quality Stores to Add Five New Units

NORTH MUSKEGON, Mich. — Quality Stores plans to open five more units between now and June 27, pushing unit count to 49 Quality Farm & Fleet stores and 17 of its smaller Country Post specialty stores. In March, it had opened a Country Post unit in Rochester, Ind. Farm & Fleet units will open in Clio and Ludington, Mich. Country Post stores will appear in Charlevoix, Rogers City and Hastings, Mich.

Target Parent Buys Marshall Fields

MINNEAPOLIS — Target's parent Dayton Hudson Corp. has strengthened its position as the paramount operator of conventional department stores chains in the Midwest by purchasing Marshall Fields for $1.04 billion. B.A.T. Industries PLC auctioned off Fields (with Saks Fifth Avenue sold for $1.5B to other company) to ward off a takeover bid. The 24 Field's boosts Dayton Hudson's department store count to 61 units that include dominant positions in Chicago (Field's), Minneapolis (Dayton) and Detroit (Hudson's).

Hills Donates Money to Hospital

CANTON, Mass. — Hills Department Stores donated $91,240 to Children's Hospital of Pittsburgh in 1989, bringing the company's 11-year total to $672,868. Employee-sponsored fund-raising projects were responsible for $52,240 of the 1989 contribution and the balance, $39,000—$1,500 for each of the 26 area stores—was from the corporate offices.

Wal-Mart Opens Visitor's Center

BENTONVILLE, Ark. — Wal-Mart took the wraps off the Wal-Mart Visitors Center, a shrine to the retailer's past, in downtown Bentonville on May 9. Filled with Wal-Mart and Sam Walton memorabilia, the center is located at the former site of Walton's first retail endeavor.

K mart Set to Test Little Caesars Take-Out Pizza Depts. in 8 Stores

Nationwide DSN Report

While Sears considers bringing The Colonel into its camp, K mart has jumped on Little Caesars' galloping chariot.

Late last month, the nation's No. 1 discounter signed an agreement to test Little Caesars Pizza operations in eight stores; four in Michigan (where both K mart and Little Caesars are headquartered), and four in Georgia. The operations are expected to open by July.

Little Caesars, based in Detroit, is the nation's third-largest pizza chain and largest carry-out chain. The company currently operates over 2,800 units worldwide and expects to have 3,300 units generating $1.5 billion in sales volume by the end of 1990. The privately held company ranked 43rd last year among all restaurant chains in systemwide sales, according to *Nation's Restaurant News*' Top 100 list.

Open during normal store hours, the new Little Caesars operations will be located near the entrance of the test stores, replacing the upfront deli area in those units. From 9:30 a.m. to 10:30 a.m., they will serve breakfast pizzas, muffins, and Danish. After 10:30 a.m., the menu will consist of pizza by the slice, Baby Pan! Pan!, Caesar Sandwiches, salads, Crazy Crust, medium-sized Pizza! Pizza!, ice cream, yogurt, soft drinks, and slushes.

There will be no seating. Customers will carry out their food purchases, said Little Caesars spokeswoman Susan Sherbow.

Meanwhile, Sears may soon sprout Kentucky Fried Chicken units within the walls of some of its stores. Reportedly, a company that operates bakery and deli shops in 36 Sears stores is negotiating to test market KFC units in Sears.

According to *NRN*, Cattleguard Inc. plans to open KFC outlets in two Sears stores, one in Dallas and the other in St. Louis, this spring. The units would be between 1,300 square feet and 1,400 square feet, offer seating, and a complete KFC menu. The two-store test is expected to run 60 to 90 days.

Healthy Staples to Pad Its Calif. Roster

NEWTON, Mass. — Staples, the 48-unit office supplies superstore, is poised to begin its California expansion on the heels of 1989's record-breaking sales and earnings.

For the year ended Jan. 27, 1990, Staples earned $5.7 million, or 61 cents per share, on sales of $181.7 million. This compares to a loss of $6.25 million, or 85 cents per share, on sales of $97.5 million in 1988. Comparable store sales rose by 36.6 percent in '89 over '88.

Now with a full year of profitability behind it, Staples will begin its California expansion.

At the end of this month Staples is sending out two store management teams to prepare for the summer opening of two stores, both in Orange County, Calif. By the end of the year, Staples expects to have between four and six stores in southern California, and maybe more, depending on lease negotiations,

(Continued on page 66)

Sweater Dumping Could Hike Prices

WASHINGTON, D.C. — The Commerce Department has ruled that man-made fiber sweaters from Hong Kong, Korea, and Taiwan are being dumped in the United States and being sold at less than fair value. The decision requires importers to immediately post bonds to cover possible penalty duties.

The result could be an increase in prices of man-made fiber sweaters sold at discounters and mass merchants. A final determination is expected in early July when final margins will be set for any penalties.

The decision came following a petition filed by the National Knitwear & Sportswear Assn. (NKSA), which represents 300 domestic sweater makers.

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EDITORIAL

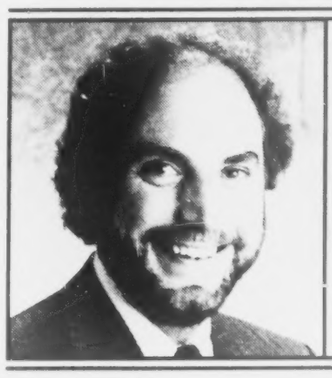
IMRA Convention: Issues & Ideas

What do Ronald Reagan, Hodding Carter, Dr. Marvin Cetron, Willard Scott, Terry Bradshaw and Kenny Loggins have in common?

What do Warren White, Bill Atkinson, Larry Hochberg, Don Soderquist and Peter Hayes have in common?

What do Laura Liebeck, Rich Halverson, Mary Ellen Kelly, Pete Hisey, Jill Lettich and Don Longo have in common?

No, they are not appearing on "Nightline" with Ted Koppel, or "The Tonight Show", or Oprah, Geraldo, or Phil. But they all have opinions. And they will all have the opportunity, in one form or another, to voice their opinions about the future of retailing and the issues of the 1990s in conjunction with this week's annual IMRA convention in San Diego and this special issue of *DSN*.



TONY LISANTI
Editor

The first group consists of guest speakers and entertainers, the second group is made up of retailers and seminar moderators, and the third group features some of the staff editors of *Discount Store News*.

Let's look at the first group. I doubt former President Reagan will discuss any specific issue, particularly the recent passage of the retail price maintenance bill (see page 5) in the House, which he never supported during his tenure. The question I think everyone would like to ask Reagan is how much is IMRA paying him! And I'm sure Hodding Carter would have dozens of other questions for him as well. Dr. Cetron will take credit as being the only person to predict that the Ames and Zayre relationship (see page 1) would not work. Willard Scott will either give a local weather report or write a memo about the future of retailing. Terry Bradshaw will talk about John Elway and Brent Musberger, and Kenny Loggins will just sing.

The second group will mix business with pleasure. It consists of prominent retailers who will enjoy the observations of the first group and offer their keen insights about the future.

As the new decade unfolds, significant changes and challenges loom. *Discount Store News* has devoted this edition to examining the issues that will shape the future of retailing. Enter the third group—all *DSN* staff writers. Their in-depth analyses of over a dozen issues begins page 95.

So that's what IMRA is about. A few opinions, a few laughs. A little business, a little fun. A few new friends, a few old friends. A few new ideas.

I know every one of our readers will not attend this important industry meeting. But every reader must be concerned with the future of the industry. As you read about the issues that will impact retailing, remember that despite the competitiveness, the consolidation, and the criticism, there are as many opportunities in the 1990s as there were in the 1960s. The mass market is the most viable segment of retailing.

However, discount retailers can no longer be followers—they must be leaders. They no longer can be passive—they must be aggressive. They no longer can be trendwatchers—they must be trendsetters. Otherwise, they will be history.

BUYERS & SELLERS

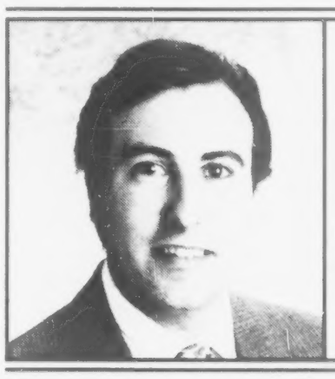
Golden Era of Discounting Awaits in 1990s

"Welcome to 1980—The Year of the Discounter! That's right. 1980 has more to offer discounting than any other form of retailing. In fact, we expect this to be the beginning of a golden era—the Decade of the Discounter."

Those were the prophetic words used by *DSN's* editor in a Page One editorial on Jan. 14, 1980, to usher in the new decade. In the '80s, the discounter became the dominant retailer in America. Discount department store sales rose by about 50 percent, from some $60 billion to nearly $90 billion by 1989. They far outpaced full-price retailers in sales growth. The leading discounter then, K mart, maintained its No. 1 rank, with sales growth of over 65 percent during the decade. Wal-Mart, then No. 4, saw its sales volume increase more than 1,000 percent. Target's sales swelled by more than 400 percent in the '80s.

Growth wasn't limited to today's Big Three. Hills' sales grew some 200 percent during the decade. Caldor's more than doubled; as did Bradlees' and Venture's sales.

Retail analysts today would scoff at the idea that the 1990s can be another Decade of the Discounter. Indeed, half of the top 30 chains of 1980 are not in business today. And, many of today's leaders are in trouble.



DON LONGO
Exec Editor

But, I believe many of today's discounters are capable of great things. In 1980, the economy was in much worse shape than it is in today. Disposable dollars were scarce. Food prices were up. Fuel prices were climbing even faster. Yet, discounters thrived. How?

That 1980 editorial offers a clue: "Discounters have what no other retailing segment can offer: lower operating costs, more efficient procedures, larger hard line assortments, one-stop shopping, lower prices and better value."

The successful retailers of the 1990s—whether true discount department stores, specialty mass merchants, warehouse clubs or hypermarkets—will be "discounters" and they will have stayed true to the above tenets.

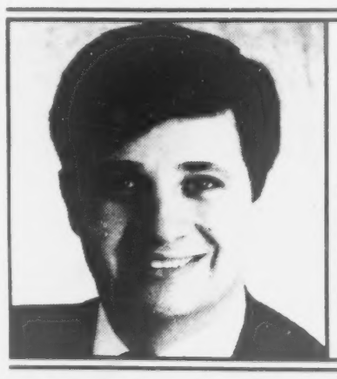
PUBLISHER'S VIEW

Partnerships Essential To Survive in The '90s

Partnership.

Over the last 12 months, I have heard this word used more than during the previous 12 years. In my conversations with retailers and suppliers about the trend towards closer working partnerships, it has become apparent that "partnership" means different things to different people.

Webster's New Collegiate Dictionary defines partnership as "a relationship involving close cooperation between parties having specified and joint rights and responsibilities." Cooperation, joint rights and responsibilities—these are the cornerstones of true partnership programs between suppliers and retailers.



JOHN FAILLA
Publisher

When a retailer uses the word partnership as simply a means to get another 2 percent off an invoice and another 2 percent co-op, that is not partnership, that is fraud.

When a retailer is caught in an overbought situation, and the supplier responds, "you bought it, you own it," that is not partnership, that is abuse.

Our industry faces many challenges as we enter the '90s. In my opinion, legitimate working partnerships that consist of the sharing of information, cooperation and a mutual responsibility to satisfy the wants and needs of the American consumers are essential for the success and future growth of our industry.

DSN is proud to announce and salute the 63 manufacturers listed on page 29 as the 1990 annual SPARC Award first ballot winners.

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ISSUES OF THE '90s

ECONOMY

Economy to Pick Up Steam in Mid-'90s

By Richard Mount
Special to DSN

The decade of the 1990s will certainly be the beginning of a bright new world for the economy, consumers and retailers as well.

Trade barriers between the United States and Canada are crumbling, Western European countries are merging their economies to a much greater extent, and the postwar ideological clash between East and West is rapidly giving way to emulation and assimilation. Economic growth, income, and consumer spending in the United States will accelerate after a period of softness for the next 18 months.

The economy of the decade of the '90s will be determined and dominated by the declining D's: slower demographic growth and reduced defense spending. On the positive side, exports, capital spending and consumer expenditures will be on the rise.

As with most transitions, this process will be painful but the outcome will be beneficial for most industries.

Those that successfully make the transition will profit.

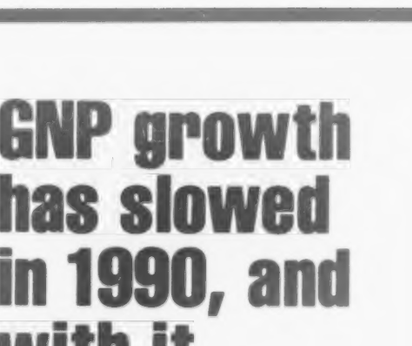
The historic debate between capitalism and socialism/communism appears to be settled. Capitalism has always provided an ever-growing supply of economic goods and services. Even if distribution of wealth was not perfect, its rising tide raised all ships. Socialism promised redistribution, but consumers in its system soon discovered the discrepancy between the living standards of the two systems. Capitalist advertising on television and radio, by reaching over the Iron Curtain, may have been the decisive factor in bringing down the Berlin Wall.

With trade barriers breaking down within the European Common Market and between Western and Eastern Europe,

(Continued on page 140)

GNP growth has slowed in 1990, and with it consumer incomes and buying power

Economic Outlook
(% Change)



CPI: Consumer Price Index
GNP: Gross National Product
Source: Mount Economic Forecasting

Northeast Cools; Rockies to Stay Hot

While the national economy is expected to weather some rough going in the early '90s and eventually emerge stronger than ever, regional markets will share unequally in those fortunes. High-flying markets of the '80s, like New England and the Pacific states, will experience below average economic growth in the '90s, as the Mountain, West South Central and East North Central enjoy a bright decade.

The New England economy is in a near-recession at present. Employment growth is down 0.3 percent from a year ago. Construction, down 10.5 percent, is the major reason for this weakness. Following years of overbuilding, especially of vacation homes, the market must absorb the glut of homes for sale. Residential building permits were off 33 percent last year after being down 22 percent in 1988.

Growth in New England during the 1990s will be below the national average. The region faces a number of long-term problems. Home prices are high, restricting in-migration. Wages are higher than average, making labor less competitive. Major states such as Massachusetts and Connecticut face large deficit problems that will take years to resolve, reducing spending and increasing taxes for much of the decade. Defense spending, important for Connecticut and Massachusetts in particular, will be in decline. Household growth has been slow. Energy prices should rise faster in the coming 10 years than the recent patterns would suggest, making this region less attractive.

High technology will be the economic engine for the region in the 1990s, with export demand rising faster than domestic. The area west and southwest of Boston should do well in this climate. Construction should recover by 1993 and the demand for vacation homes should increase, a plus

(Continued on page 140)

ISSUES OF THE '90s

Economy to Pick Up Steam in Mid-1990s

(Continued from page 138)
a globalization of markets will develop. Initially goods and investment funds will flow into Eastern Europe to meet consumer demands and to upgrade existing plants. In the intermediate term, Western firms will find increased competition from their neighbors. Longer term, economic well-being will be improved for all as each country specializes its most productive economic sector. This final transition will be the hardest of all as many inefficient firms are driven out of the marketplace.

The globalization of markets will force U.S firms, especially manufacturers, to rethink their strategies of the 1990s. Specifically, many investments in the 1980s were geared to limiting the downward risks in manufacturing primarily by maintaining domestic market share. In the 1990s, firms will need to see and plan for increasingly global markets.

Consumer attitudes will change over the coming 10 years. While many began to shop on the basis of price with some stressing status, buyers in the 1990s will be looking for quality and service at reasonable prices. The average consumer is getting older due to the aging of the baby boom.

U.S. Economic Outlook 1987 to 1990
(% Change)

	1987	1988	1989	1990
Households	1.4%	1.7%	1.7%	1.6%
Household Income	5.5	5.5	6.6	6.3
Retail Sales	6.0	7.1	5.0	5.7
Retail Sales/Household	4.5	5.3	3.3	4.0
Retail Sales as % Of Household Income	40.4	40.3	39.1	38.2
Housing Permits	(13.3)	(5.2)	(7.9)	(4.6)
Personal Income	7.0	7.3	8.4	8.0

( )—loss

Source: Mount Economic Forecasting

Income levels will be rising while family lifestyles stabilize. The older population will be less inclined to relocate, more willing to live in one home for a longer period.

Recent trends in tax and government spending will be reversed. After a decade of tax cuts and deficit, taxes will be on the rise while government spending—federal, state and local—will face slower gains. Spending priorities will shift from defense to rebuilding infrastructure. State and local governments will increasingly turn toward higher user fees.

Environmental concerns are on the rise, not only for air quality but also for waste disposal. Major cities on the East and West Coasts will begin to reduce air pollution through greater use of both alternative fuels and mass transportation.

Health care costs will not grow as rapidly in the 1990s as in the 1980s although they will continue to outpace the overall gain of the economy. The birth rate declined during the depression of the 1930s, slowing the growth in the over 65 age group in the 1990s.

Short-Term Outlook

Real GNP advances in 1990 and 1991 will remain below the traditional trend rate of growth of 3 percent. Inflation will not be a major concern during most of this time, allowing for lower interest rates.

The overall economy slowed in 1989, a pattern that should persist through most of 1991. In a seven-year expansion that has been characterized by rolling adjustments, 1989 saw consumers, who accounts for two-thirds of the total economy, become increasingly conservative in their buying patterns. The auto sector was badly hurt. At the same time, housing and nonresidential construction markets continued to decline. Defense spending ceased growing in an attempt to trim the deficit. These markets will continue to impact overall economic activity this year as well.

Capital spending, an economic locomotive during 1987 to 1989, has come to a near halt of late, held back by lower corporate profits, slower gains in industrial production and a rise in the dollar. The latest capital spending survey showed an improved attitude towards investments.

Emerging issues for 1990 include growing problems at the S&Ls, both savings and loan institutions and state and local government. Difficulties in both sectors will harm the economy in the near term. Banks will have more restrictive lending practices, and government spending will be curtailed.

The net result of these factors is that GNP growth has slowed in 1990, and with it consumer incomes and buying power. While we will avoid a recession, many consumer markets will be soft.

As we approach 1991, economic activity will begin to improve. Interest rates will be lower and the past overbuilding of multiunit homes will have been somewhat more absorbed. Problems at the lending institutions will be less, allowing for an easing in lending practices.

State and local government spending will remain weak, however, due to prior budgetary problems. Federal government spending will be soft because of further reductions in defense.

Capital spending will begin to recover with the initial upturn concentrated in the equipped area. Office and hotel construction will remain weak.

Intermediate Outlook

By the mid-1990s, the structure of the U.S. economy will be responding to the changes in demographics, lowered defense spending, improved foreign trade, infrastructure

(Continued on page 142)

Northeast Cools Off; Rockies to Stay Hot

(Continued from page 138)
for southeastern New Hampshire. The boom conditions of the 1980s should not be matched in the 1990s. For retailers, the region has an exceptionally high average household income.

Middle Atlantic

The Middle Atlantic region is suffering from the second slowest rise in employment in the country, up 0.7 percent from a year ago with finance up only 0.2 percent and government 0.6 percent. Construction is now declining at a 0.8 percent rate.

The region is facing two related problems. First, the finance sector is in trouble as Wall Street firms cut back payrolls, local banks suffer from poor regional real estate portfolios and international banks remain troubled by bad Latin America loans.

Second, construction activity is down sharply now. Office and hotel construction both in major cities and outlying suburbs propelled the local economy. Overbuilding plus slow absorption of office space or low hotel utilization rates weakened this market.

In the coming decade this region will fare poorly. Long Island will weaken further with defense cuts. For this area to recover, it will require extensive diversification of existing defense contractors. The New York market faces a multiyear contraction brought on by soft state and local finances and additional cutbacks in financial employment.

Southern New Jersey faces a period of consolidation. The casino market is overbuilt and the recent completion of the Taj Mahal Casino will make a bad situation worse. The residential real estate market is overbuilt in Atlantic County. Monmouth and Ocean Counties should do well in the coming decade as the completion of Route 18 makes the area more attractive to small business. These two counties will be harmed by defense cut backs. Somerset also offers opportunities.

Pennsylvania could be the strongest state in the region over the decade. It has a larger manufacturing base while Philadelphia has developed a higher concentration in medical services and research.

East North Central

Employment gains in the East North Central states have eased to a 1.4 percent rise from a year ago, below the 2.1 percent national average.

Regional Growth Overview 1990 to 2000

Above Average	Average	Below Average
Mountain	South Atlantic	Pacific
West South Central	West North Central	Middle Atlantic
East North Central	East South Central	New England

Source: Mount Economic Forecasting

Manufacturing is down 2.7 percent, reflecting the weakness in overall industrial output, autos in particular.

This region did not fully participate in the recent economic expansion and appears to be headed for a rise above average in 1990. The East North Central region could be the surprise during the 1990s just as the Northeast was in the 1980s. Specifically, manufactured goods are apt to face strong sales in a growing domestic economy along with increased exports.

Ohio and Indiana manufacturing centers should perform well in the 1990s, bolstered by domestic and international demand. Southern Illinois, with a major agricultural bent should also enjoy above average gains.

West North Central

Employment growth is strong in the region, up 2.8 percent from a year ago vs. a national average of 2.1 percent with construction being a major driving force. The ongoing recovery in the Farm Belt should be maintained during the coming decade pulled by rising exports. This region is emerging from a localized recession and gains in coming years should be strong.

Near-term problems exist in high-technology manufacturing in the Minneapolis area. The industry has slowed as of late, and export restriction could prevent this sector from fully participating in the export boom in the 1990s. On the positive side, U.S. demand should pick up shortly, capital spending plans are being raised with a 7.5 percent gain in dollar volume anticipated.

South Atlantic

At present, the South Atlantic is enjoying the second strongest gain in employment of nine regions, up 3.2 percent vs. a national average of 2.1 percent. Service growth, up 6 percent, and government, up 3.3 percent, are the strongest in the nation.

In the 1990s, employment gains should be averageor slightly below. Cutbacks in defense will dampen business activity in Maryland, Virginia, Georgia and Florida. These four states, along with North Carolina, also have a concentration of high-tech companies which should do well during the new decade.

Florida will see slower gains in the number of retirees relocating there due to rising home prices and slower growth in the 65-plus age group. Florida's growth in the 1980s was concentrated in the Tampa-Orlando-Daytona corridor. In the 1990s growth will be closer to Jacksonville.

South Carolina will continue to be a faster-growing state in the region. West Virginia will stage a comeback due to an increase in coal exports and domestic consumption.

In the increasingly competitive 1990s, the South Atlantic states will have an advantage in manufacturing because of lower wages, energy costs,

(Continued on page 142)

ISSUES OF THE '90s

Economy to Strengthen

(Continued from page 140)
spending and accelerated capital spending.

Population growth slowed to a 1 percent annual increase in the 1980s and will be an even weaker 0.8 percent in the 1990s. The number of new entrants into the labor force will improve only marginally. Those aged 15 to 24 declined 1.7 percent annually in the 1980s. That figure should rise a very soft 0.2 percent in the 1990s. Slow gains in the number of new entrants will continue to present a tight labor market, increasing wages further, and encouraging additional capital spending to offset the lower gains in the growth of the labor force.

A positive factor for retailers will be the increase in the 45-to-54 age group as the postwar baby boomers enter middle age. Their incomes will be rising; many will have paid off children's college expenses before the end of the decade. Spending patterns should be increasing for this segment, keeping retail sales strong.

Government spending should increase slightly slower in the 1990s than in the 1980s, but its emphasis will shift. Defense spending will be declining sharply during the 1990s as tensions ease between East and West. This change will harm sections of the country having a concentration in defense spending. State and local spending will be on the rise as infrastructure needs increase.

Exports to Stimulate Growth

Foreign trade will be the premier growth market in the 1990s. Not only will U.S. firms be exporting consumer and capital goods, but expertise as well. There will be a growing demand for design, distribution, retailing, and finance knowledge.

Capital spending will be strong during the intermediate term. Firms will need to increase productivity due to slow growth in the work force, increased foreign competition, and additional gains in exports.

Consumer demand for durables will increase during the 1990s. Auto production will do well during the decade (increasing 3 percent annually, as older consumers turn towards larger cars with increased amenities. The growth rates in the 35-to-44 and 45-to-54 age brackets are the strongest. The average age of the existing fleet has increased, so pent-up demand is high. Foreign manufacturers who have invested in U.S. manufacturing facilities give this country an edge. Look for the United States to increase its exports of autos in the 1990s.

Furniture and appliances will face problems from slower gains in net household formation, but the replacement and upgrading of existing furniture and appliances will still keep this sector growing at about 3.6 percent annually during the 1990s.

Other durable goods are to a large degree luxuries—boats and jewelry. The aging population with higher incomes will increase demand about 3.2 percent through the end of the decade.

Consumer non-durable demand will not grow as rapidly as durables. Food consumption should increase slightly faster than population, 1.2 percent per year, although buying patterns will shift towards higher-quality products. Running against this pattern should be a growing trend toward convenience foods geared towards working adults. Clothing and shoes will benefit from an aging and more affluent buying group. Look for an annual rise of 3.6 percent.

Energy markets will advance in the 1990s. The increase in oil and gas prices will stimulate U.S. economic activity in specific regions. Coal production should increase about 3.7 percent annually with domestic annual consumption rising 3.5 percent, exports 5 percent. Natural gas has suffered from the gas "bubble" since 1981 to 1983, a surplus of supply relative to demand. This surplus has dampened domestic drilling activity. Domestic oil drilling has been harmed by weak prices worldwide, a situation that should reverse itself by late 1991 or early 1992.

Population Change by Age

Age	Percent Change '90-'80	Percent Change 2000-'90
Under 15	0.5%	0.0%
15-24	−1.7	0.2
25-34	1.7	−1.7
35-44	4.0	1.5
45-54	1.2	3.8
55-64	−0.1	1.2
65-Over	1.0	0.8
Total	1.0	0.8

Source: Mount Economic Forecasting

Mountain States to Stay Hot

(Continued from page 140)
and tax rates than in most of the nation.

East South Central

The East South Central region is enjoying above average gains in employment, up 2.7 percent from a year ago. This edge is likely to persist in the 1990s as well.

Tennessee has become increasingly competitive as a manufacturing center. Foreign firms have invested in building new facilities in the state and these products will enjoy rising domestic and international demand in the 1990s. Automobiles produced in Tennessee, in particular, are apt to find rising demand from overseas.

Kentucky will benefit from the improved prospects for coal. The state is enjoying a 3.6 percent rise in employment at present, propelled by an 11.3 percent jump in construction activity.

Alabama should face somewhat slower growth in the 1990s than Tennessee or Kentucky as it has a significant defense sector.

Mississippi will see improved economic prospects from its energy mining sector.

West South Central

West South Central states are emerging from a localized recession. While current employment gains are only marginally higher than the national average, 2.2 percent vs. 2.1 percent, the gap will widen through the mid-1990s.

Recent economic problems include a sharp contraction in drilling activity and overbuilding of non-residential buildings. Energy prices should rise by at least 35 percent by 1995, sufficient to boost domestic drilling. Office vacancy rates are coming down in Houston and Dallas as firms relocate from other areas to take advantage of lower costs while new construction has come to a standstill. The Dallas market should be somewhat stronger than Houston because of its medical and manufacturing facilities. Both Oklahoma and Louisiana will share in the recovery from energy exploration.

Arkansas, the strongest state in the region during most of the 1980s, will probably face gains below its neighbors in the 1990s because of its smaller energy sector.

Mountain

The Mountain states are enjoying the highest increase in employment in the nation, up 4.1 percent vs. 2.1 percent nationally. Mining is up 5.7 percent, construction 6.1 percent, trade 4.3 percent and services 5.6 percent. As with the West South Central area, this region is emerging from a localized recession. Unlike the West South Central states, however, the Mountain states enjoy certain advantages that should make it the fastest-growing region in the 1990s.

Nevada has been the fastest-growing state in the country in the postwar years, a distinction that should persist in the 1990s. Employment growth from a year ago is 9.7 percent. Its large service sector, built around gambling, should remain strong. In addition, it enjoys an in-migration from California, especially for retirees. These households often sell their California homes and move to Nevada, where lower home prices prevail.

Colorado will benefit from the recovery in energy and from rising demand for its manufactured products.

Utah has become increasingly a high-tech manufacturing state, a growth market in the 1990s.

Pacific

A major change for the 1990s will be a reduction in the growth rate for the Pacific region. While outperforming the national average through 1989, the coming decade will see slower gains.

California will see a marked slowdown in its growth. The state has the highest amount of defense spending in the nation, and the 1990s will see a declining trend in this area. Southern California is congested and expensive, factors restrictive to further growth. Concerns about air pollution will force slow growth policies. Riverside will be an exception in Southern California. Future growth in California will come increasingly from the Sacramento area.

Washington will remain the hotbed of activity for the region. Current employment is expanding at a 6 percent rate vs. 2.4 percent in California. The backlog of aircraft orders will keep the Seattle market strong, and an opening up of export markets will accelerate this pattern.

Oregon will not do as well as Washington. The domestic housing industry will suffer from declining demographic forces, pressuring lumber production. High-tech output will not be able to completely offset this pattern.

Alaska will again begin to show faster growth because of higher energy production.

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ISSUES OF THE '90s

OVER THERE

Tax Changes Jar Canadian Picture

By Mary Ellen Kelly

At a time when many Canadians are somewhere between disgruntled and enraged about the new free trade agreement with the United States, changes in taxation will further jar the economy.

New tax laws that go into effect Jan. 1, 1991 may cause both native Canadian retailers and U.S. firms in Canada to limit expansion, waiting to see if sales will be hurt by the new tax legislation. American companies contemplating entry into Canada are taking a wait-and-see approach before exploring a market which is both new and undergoing changes.

To consumers, the result of the tax changes will be provincial and federal taxes which combined will total between 15 percent and 19 percent, depending on the individual province. While shelf prices will be lowered as a residual impact of the tax changes, consumer buying habits are expected to be altered by the 7 percent tax hike.

The new broad-based federal tax is being implemented across the country, replacing a tax that had previously only been levied against manufacturers.

For retailers, both Canadian and U.S. firms, the new tax laws are forcing them to spend millions of dollars on changing administrative and POS systems to handle the new two-tier tax format that goes into effect in 1991.

Separately, pro-active pay equity laws are being stepped up in the province of Ontario, and employment equity laws could go into effect in Ontario in the near future.

Despite these political disincentives, some U.S. retailers are crossing the borders in the midst of the tax changes, in search of a new frontier of consumer demand to harvest.

One of the most recent entrants is HeadQuarters Office Supplies Warehouse, the first office supplies superstore chain to open on Canadian soil. The unit opened on March 29 in Richmond, British Colum-

(Continued on page 160)

'American companies eyeing entry into Canada are taking a wait-and-see approach'

Europe Receptive; Japan Stays Aloof

American companies contemplating conducting business overseas in the '90s will find that going east—to Europe—will be easier than going west—to Japan.

Despite recent indications from the Japanese government that it would be more open to foreign retailers, the country's labyrinth of archaic product distribution and anti-large retailer laws makes it next to impossible for a U.S. chain to independently open stores there.

On the other hand, American companies, especially manufacturers, expect that the new European trade agreement which goes into effect in 1992 will facilitate U.S. involvement in the European market and help U.S. retailers and manufacturers participate in a new global economy.

For most U.S. retailers, however, the thought of trying to expand overseas is a joke. Struggling under the heavy debt of LBOs, they do not see themselves as being able to take advantage of the dynamic growth potential in overseas expansion.

Currently, only a small group of U.S. retailers (outside of the food service industry) have an international presence. K mart, Sears, and Woolworth are the three major U.S. general mass merchants operating in Canada (see story on this page), along with smaller operations of Price Co. (Club Price Canada), HQ Office Supplies (HeadQuarters Office Suppliers Warehouse) and Costco. K mart also owns part of Coles Myer, a major Australian retailer. It also operates stores in Puerto Rico, with plans to enter the U.S. Virgin Islands—although that can hardly be considered an international drive.

Among specialty discounters, Toys "R" Us is miles ahead of everyone else in establishing an international presence. TRU operates a growing chain of toy stores in Europe, and recently signed a deal with a Japanese subsidiary of the McDonald's restaurant chain to open up to 100 toy stores of over 50,000 square feet each in Japan.

(Continued on page 160)

ISSUES OF THE '90s

Canadian Market Is Changing

(Continued from page 149)
bia. Eight to 12 more units are slated to open by the end of this year according to the chain, which is the Canadian arm of Southern California-based HQ Office Supplies.

Other U.S.-based retailers are expanding their Canadian operations. Woolco/Woolworth will open about 10 new stores—five of each; K mart plans to open another five K mart discount stores and three more Bargain Harold's; Club Price, the Canadian counterpart of The Price Co., is expected to open another two warehouses; and, Toys "R" Us plans to add more units, targeting the Vancouver market during 1990.

U.S. retailers are not the only ones exploring the country's sales potential. The Swedish home furnishings specialty chain IKEA now operates seven Canadian stores and plans to open another store next year.

As U.S. and other foreign retailers permeate the Canadian market, retail opportunities shrink for two reasons. Like its southern neighbor, Canada is becoming overstored in its population centers. The country is facing mall vacancies for the first time in 20 years. At the same time, the national birth rate is down 1.7 percent, said Alasdair McKichan of the Retail Council of Canada.

Immigration levels of 125,000 are being offset somewhat by an emigration rate of 50,000. McKichan noted that "in order for there to be population growth, 400,000 should be coming into the country."

The country's new 7 percent Goods and Services Tax (GST), which replaces the 13.5 percent manufacturers' tax, is causing difficulties for all Canadian businesses, but brings special problems for retailers.

The merchandise category that will truly suffer from the new tax policy is apparel, which will now be taxed at 7 percent, as opposed to being excluded from federal taxation. Apparel has been in a slump for the past couple years, and the tax threatens to further erode volume.

Registers Have Big Job

The new tax forces retailers to equip cash registers with POS equipment that can handle two separate taxes—the one levied by each province and the new GST. McKichan estimated that only one-third of all Canadian cash registers are equipped to handle a two-tier tax system. Retailers are simultaneously scrambling to install POS and educate store employees on its usage.

In addition, the tax change means that retailers must devise a way of lowering all the prices in their stores overnight, or as quickly as possible. Just how much prices will actually be lowered is still being determined. Retailers said they are waiting to hear from the government concerning how they are supposed to physically make these required adjustments.

Keith Costine, president of K mart Canada Ltd., said his company is hoping implementation of shelf-edge pricing this October on most goods will simplify the price change for his company. He estimated that he has already spent $5 million in administrative and technology expenditures (not including $40 million spent last year for chainwide POS).

John Urie, executive vice president of Zellers, one of the country's largest retailers, explained that the 13.5 percent federal sales tax—which had been imposed just on manufacturers of non-apparel products—will fall to the new 7 percent level. The nearly 6 percent drop is expected to be passed onto retailers and in turn to consumers, Urie said.

Urie explained: "The important difference as far as the customer is concerned is that it is no longer a hidden tax. The federal sales tax had previously been buried in the cost to retailers," Urie explained. He and other retailers expressed doubt that the federal government would be able to make clear to consumers the fact that price reductions will roughly off set the tax at the cash register.

The short-term impact of the GST is expected to be a fourth-quarter stampede as consumers rush to stores to purchase goods before the tax goes into effect. Retailers said the anticipated rush will be due to the lack of information the national government has provided on the tax.

Keith Elliot, director of public affairs with Woolco Department Stores, said the fourth quarter of this year should be good, but the tax will ultimately "retard sales on most goods sold." Woolco operates stores in each of the country's provinces. While no one province is outpacing any other, Elliot said Vancouver continues to emerge as a strong market, but Toronto continues to "roll like thunder."

Maurice Tousson, president of Consumers Distributing, Canada, estimated that the company will spend between $500,000 and $1 million in administrative costs related to the GST, ". . . and we're more fortunate than most," he added. "Our POS systems are able to handle a two-tier tax." Tousson expects the administrative details related to the new tax to be "quite cumbersome" and lead to depressed retail sales.

Pierre Mignault, president and chief executive officer at Club Price, feels that the GST will not be quite the problem that other retailers suggest. "The GST is highly criticized, but it will not be that bad, actually. It will improve customer prices," Mignault said. He acknowledged that the GST will require software changes at Price, and may require some companies to invest in POS.

Regarding the impact on customer shopping habits, Mignault said the company will educate its customers through its newspaper for members and within the club locations. "Early in fall we will start teaching them. We deal a lot with small business who don't have the time or money

(Continued on page 162)

Canadian Retail: Several Powerhouses Dominate

Major Canadian Mass Marketers (Listed alphabetically)	No. of Stores (as of 5/90)	No. of Stores (as of 1/91)
Canadian Tire	414	NA
Club Price Canada Inc.	6	8
Consumers Distributing, Canada	202*	206
Costco	4	6
HeadQuarters Office Supplies Warehouse	1	11
K mart Canada Ltd.		
K mart	121	126
Bargain Herald	155	158
Kresge	35	35
Stedman's	225	225
Gendis Inc.		
Metropolitan Stores	87	88
Saan	229	249
Sears		
Sears Retail Stores	92	98
Sears Catalog Outlets	1,600	NA
Towers	51	51
Woolco		
Woolco	146	151
Woolworth	164	169
Zellers	211	218

*Includes 30 franchised stores

NA — not available

Source: DSN research

Expansion Outlook Brighter in Europe Than Japan

(Continued from page 149)
As could be expected, local Japanese toy retailers are trying to block TRU's entry with a law that requires local merchants to approve the opening of any stores larger than 500 square meters, or 5,400 square feet. How TRU fares in its effort to launch a Japanese toy chain will determine how serious Japan is about opening its consumer market to outsiders.

If TRU has any success in invading Japanese shores, it will be because it decided to take on a Japanese partner. Several non-discount U.S. retailers have successfully teamed up with Japanese firms. Talbots, the women's apparel retailer, joined with The Jusco Group, Japan's fourth largest retailer, to open its first overseas unit in a Toyko suburb earlier this year. Johnson & Murphy opened its first foreign shoe store in Japan with a Japanese company that markets J&M footwear in Japan.

Sears also has entered into a joint venture with a Japanese firm to open small (under 500 square meter) tire and auto accessories stores in Tokyo.

Partnerships will be just as important for companies hoping to cultivate the new open economic markets of Europe. The first wave of partnerships is being precipitated by the 1992 agreement to eliminate barriers to trade. So far, most of the activity has come from manufacturers, not retailers.

Manufacturers that already have a history in Europe warn that the biggest pitfall a U.S. company can fall into is believing that products successful in America can be transplanted effectively into Europe. Partnerships with native companies are considered to be the easiest, most cost-efficient way of identifying cultural differences that would influence product preferences.

While demographics of income and age groups might be similar between the United States and some European countries, the kinds of products that are considered useful or esthetically pleasing vary greatly.

Al Rabin, president and chief operating officer of bakeware and gadget vendor Ekco Housewares, said new product development for the European consumer is crucial to his company's seven-year success abroad. While there are certain common characteristics in attitudes toward food preparation, Rabin found it to be "much more a creative outlet for Europeans . . . much more central to their lives."

Partner Is Essential

Michael Crowley, general manager of international sales and marketing for stainless steel cookware manufacturer Farberware, said, "Certainly one needs a partner in Europe. The product has to be designed to fit the needs of the marketplace and the partner would know the customer . . . Financially and culturally it would be impossible to set it up by yourself." The company just made its first shipment to Europe, to its new partner, Aubecq-Auxi, a French company with product scope similar to Farberware's.

Marty Gibson, group president of Corning, overseeing international operations, said currently 25 percent of Corning's volume is in Europe. Further growth potential is being explored through a minority interest in Calp, an Italian machine-made lead-crystal manufacturer.

Personal care appliance manufacturer Conair Corp. is also working on a joint venture in Europe, according to Inge Bailey, assistant to the director of international sales.

Partnerships of this kind are key to the penetration of U.S. firms in the European economy in order to gain an understanding of the wide-ranging differences among consumer tastes from country to country. Joining forces with a native European firm also permits U.S. firms to take advantage of already established distribution avenues.

Rabin at Ekco believes the decision to enter the European arena is something that each company must examine, but those that are not yet there must act quickly. "The fact is, 1992 is not a panacea. It is not a green light for all companies to enter or prioritize the market . . . but I wouldn't continue to debate whether or not a company should enter. *Now* would make sense. *Later* might be too late."

Despite their apparent lack of interest so far, U.S. retailers have a major opportunity to enter global retailing. The specialty retailing and targeted merchandising that has propelled the growth of many U.S. chains in America seems to be perfectly suited for European consumers.

ISSUES OF THE '90s

Tax Changes Expected to Affect Canadian Market

(Continued from page 160)
to go to lectures on the subject. We will explain the GST to them," he said.

Cross-border shopping, a problem that has intensified during the past year or two, is expected to intensify as a result of the GST. While large numbers of Canadians along the U.S. border come into the U.S. to shop, most Canadian retailers said the situation is not currently bad enough to seriously affect new store site selection.

However, Tousson of Consumer Distributing, the Canadian catalog showroom chain, sees cross-border shopping as a problem for Canadian retailers, and one that will only worsen with time.

"Take a survey on a Sunday at border stores in the United States and you'll find seven or eight out of every 10 license plates are Canadian," he said. Changes in the economic climate are bound to take prices in an upward spiral, making U.S. retailers all the more alluring.

"Rents, wages, and duty rates are all higher, [than in the U.S.] . . .compare our prime borrowing rates. Not long ago it was 1 percent to 1.5 percent higher in Canada; now it is 3.5 percent higher," Tousson explained.

Urie from Zellers said he believes rules regarding the maximum amount of undeclared merchandise Canadians can bring back from the United States are not being rigidly upheld. "I believe people are being allowed to bring more undeclared merchandise over the border."

Future Tax, Policy Issues

Canadian consumers are already having a hard time swallowing a 7 percent tax on everything from roller skates to home heating oil, but tax issues are destined to become more muddled.

Provincial taxes range from 8 percent to 12 percent. As it stands, the Canadian government is letting each province decide whether to apply the national GST tax before or after the provincial tax is levied. In other words: If a consumer buys a $10 tea kettle in a province that levies a 10 percent tax *before* the 7 percent GST, the customer will be charged $11.77; if the GST is charged *before* the provincial tax, the final price will be $11.07.

Timing Is Crucial

McKichan expects the provinces will try to optimize their tax revenues by levying taxes after the GST, the same way it was done when the tax applied only to manufacturers. Eventually, if the provinces are all in agreement, the provincial and GST taxes could be combined to simplify transactions. The GST and provincial revenues could be separated again when company tax payments are due.

As if these tax matters were not enough to deal with in 1991, all firms employing 100 people or more—retailers included—will have to cooperate with a pro-active pay equity policy in the province of Ontario. As it stands, the policy applies to companies with over 500 employees.

The policy involves creating wage comparisons between male and female employees who perform comparable jobs. If there is an insufficient population to establish an average wage by gender for a particular job within a company, management must conduct research within the market to create such an average.

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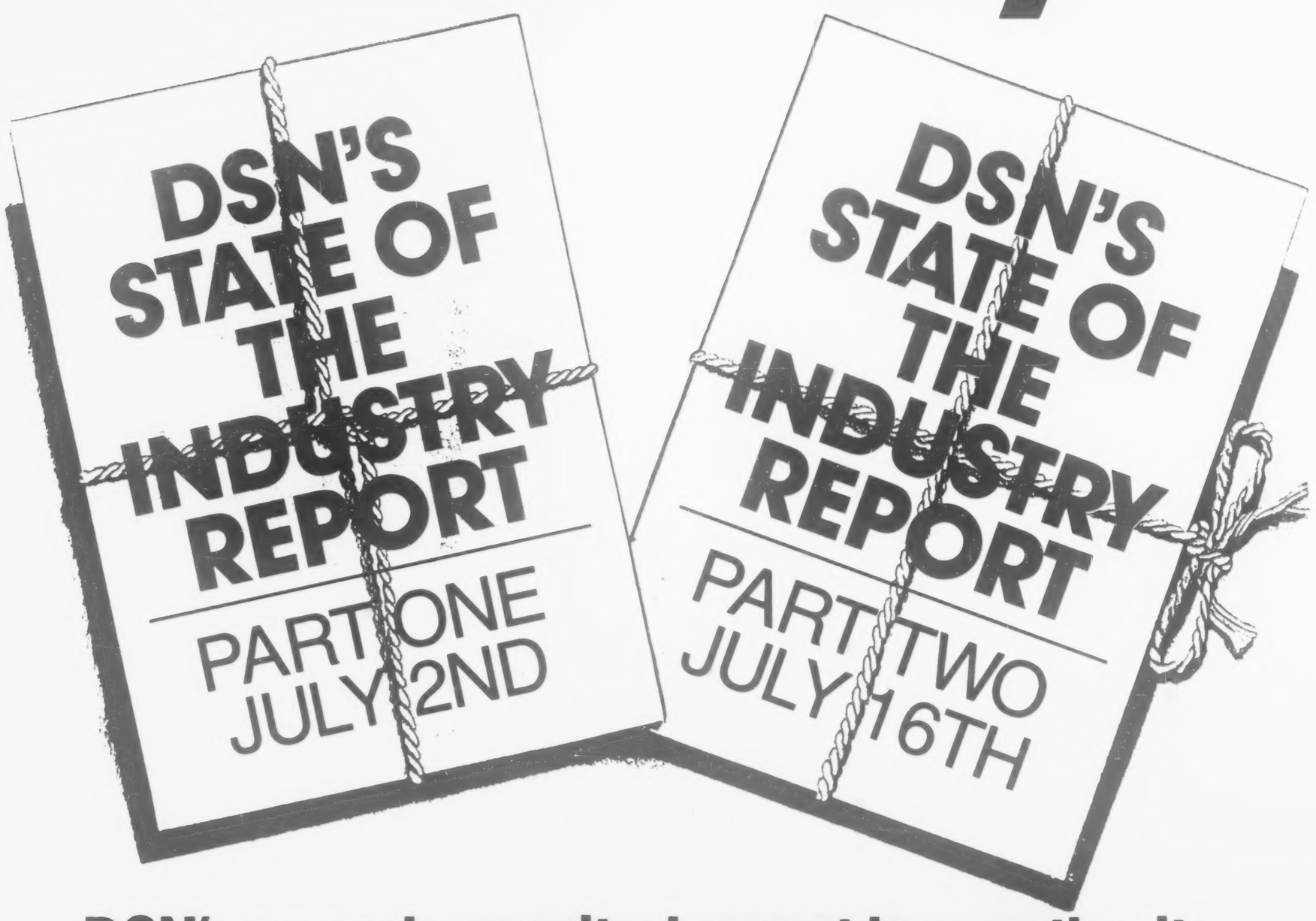

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Discount Store News.
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THE POWER OF LEADERSHIP

Hills Updates Displays, Plans Prototype for '91

(Continued from page 1)
as consumer electronics, health and beauty aids, "small goods," and lawn and garden.

Goldberger also sees opportunities for using bulk hard line displays in the new store.

For fiscal 1989, ended Feb. 3, 1990, Hills reported sales of $2.075 billion, a 24 percent increase over the previous year. Operating income for the year totaled $108.1 million, up 10 percent from a year earlier, but net income fell 75 percent to $2.9 million, from $11.5 million in fiscal 1988.

The decline in net income is largely the result of tremendous debt from a leveraged buyout in 1985. Hills went public again in 1987.

"Hills' financial condition has not improved materially since its LBO in 1985," said Edward F. Comeau, a retail analyst with Oppenheimer & Co. in New York. "Hills faces a more onerous debt repayment schedule with about $25 million due in 1990. . . Although Hills' financial outlook appears manageable, it leaves very little room for error."

In order to improve net income, Goldberger told *DSN* that the chain needs a 5 percent comparable store sales gain, which is exactly what Hills achieved in the fourth quarter of last year.

The final quarter of '89 ended with a 25.5 percent sales increase, to $719.9 million, and an operating profit of $57.4 million, up 29.4 percent. Net income for the period rose 30.1 percent, to $27.36 million.

Goldberger said he was disappointed with Hills' year-end results, but the fourth quarter showed the company's mettle.

Among other changes the company is making this year are adjustments in its advertising program to take advantage of strong consumer response to print advertising.

Goldberger said broadcast ads are being cut to less than 50 percent of the ad budget from more than half, and adjustments to Hills' ROP program are being reviewed. Circulars are being beefed up. Last Christmas Hills added a second circular, and two Back-To-School circulars are planned for the coming year.

Also slated for a rollout in 1990 is the company's UPC-scanning program.

Distribution System

In another change from the past, Hills will shift to a two-step distribution system. By mid-1991 the discounter will open is first distribution center, an 825,000-square-foot facility in Chambersburg, Pa., to service the eastern half of the chain.

In 1992 Hills will open another DC to service the western part of its store chain.

Goldberger said Hills will save "in the eight figures" by using central distribution, adding "the leverage is forcing us to act smarter."

The first tangible indication of Hills "acting smarter" was last fall when the chain reversed its 31-year tradition of cash-and-carry only sales and began accepting credit cards.

The change proved profitable for the chain. During Christmas, credit card transactions pumped up the chain's average sale and represented 15 percent of all sales during that period, said Goldberger.

Layway sales, which usually represent about 15 percent of sales, were not harmed by the credit cards, and increased during this period.

Although Hills is not fundamentally changing its operating philosophy—it will remain a low-cost operator—many of the upcoming changes show that the chain is eager to make necessary adjustments to fit the new markets it is entering and the changing times and tastes of its clientele. Particularly noteworthy among the changes are the credit cards, wide drive aisles, fashion-oriented merchandising, and use of two-step distribution.

After adding 35 stores to its base when it reopened a group of former Gold Circle units last year, Hill will keep store openings to a minimum this year. Only six new stores are planned. Two opened on April 23, in Flint and Saginaw, Mich. The other four units will be in Kalamazoo, Mich.; Syracuse and Massena, N.Y.; and Hamilton, Ohio.

In 1989, "We underestimated what it cost to open Gold Circle, business was weak in our trading area, and we didn't react well enough," Goldberger explained.

Hills acquired 33 former Gold Circle stores in fall 1988 and reopened them as Hills stores in spring 1989.

Goldberger characterized the acquisition as a "once-in-a-lifetime deal" that gave Hills the opportunity to grow.

"It was a strategic gamble," added Goldberger, noting that the sites Hills acquired were in areas the company was already contemplating.

Financial analysts who watch Hills added that overall competition and Wal-Mart's penetration into Hills' trading areas were additional factors in Hills' disappointing 1989 performance. In general, they praised Hills' plans for a new prototype and its remerchandising initiatives, but one analyst described those changes as "inadequate" since they are so late in coming.

Whatever the concerns are among retail analysts, national and international banking organizations are supporting Hills.

Hills recently reported that terms of its $400 million commitment from The Mitsui Taiyo Kobe Bank announced on Jan. 29, 1990, have been revised. Mitsui Taiyo Kobe is now providing up to $100 million and will act as co-agent with Bankers Trust Co. under a $325 million working capital facility pursuant to an amendment and restatement of the company's existing credit agreement. The agreement has been extended through December 1993.

K mart, Waldenbooks Face Pickets

(Continued from page 5)
day advertising campaign aimed at spotlighting Americans' access to "constitutionally-protected" materials in the form of books, magazines, films, and videos.

The cornerstone of the campaign was a $400,000 full-page ad in the national editions of the country's top newspapers, such as *The New York Times, The Wall Street Journal, USA Today* and *The Christian Science Monitor*, plus papers in the nation's top 28 markets.

The ad, which reached over 16 million readers, took the form of an open letter. It was signed by Hoffman and Ed Morrow, president of the American Booksellers Association. The ad encouraged readers to fill out a ballot stating one's opposition to censorship and send it to the American Booksellers Association for tallying. The results will be released early this month.

"We believe attempts to censor the ideas to which we have access—whether in books, magazines, plays, works of art, television, movies, or song—are not simply isolated instances of harassment by diverse special interest groups. Rather, they are part of a growing pattern of increasing intolerance, which is changing the fabric of America," said the ad.

"We're involved because we think it's time to 'help common sense prevail,' " said Hoffman. "We view these efforts on the part of special interest groups as attacks on our fundamental right to read and to sell Constitutionally-protected material. It's time to 'turn up the volume' on these issues and let Americans speak for themselves."

Ballots also were available at all Waldenbooks stores during the week of April 23 to 27 so patrons could cast their votes, said Pat Newlin of The Newlin Company, Waldenbooks' public relations firm.

The recent incident between Waldenbooks and American Family Association is not the first time the two groups tangled.

Last October Waldenbooks, in concert with The Media Coalition and book and magazine publishers and distributors (such as The American Booksellers Association, the Council for Periodical Distributors Association, and International Periodical Distributors Association, Playboy Enterprises and Duvall Bibb Services, a Florida distributor of books and periodicals), filed suit against the Florida chapter of the AFA under the Federal Racketeer Influenced and Corrupt Organizations Act (RICO) and the Florida State RICO Acts. RICO protects a firm's right to conduct business without threats or harrassment.

First Amendment Rights

While Wildmon of the AFA did not address the pending lawsuit, he invoked his right under the First Amendment to the U.S. Constitution to picket K mart, Waldenbooks, and others.

Wildmon said that if a retailer sells pornography he has the right to picket and to tell others not to shop those stores. He said he does not question K mart's right to sell materials he and his group deem pornographic. He also declined to call the tangle censorship. It's a case of "economics," Wildmon said.

'Shop Concept' Big in Jamesway Revamp

(Continued from page 1)
ton stores have remained constant in their merchandise mix. What has changed is the amount of space devoted to specific branded merchandise. According to Lazarus, Jamesway will continue to emphasize important national brands within the stores, both through its own signage as well as special shops-within-a-store fixtures.

A McGregor shop, for instance, is in place in both new units, bringing the total to six Jamesway stores which have installed special McGregor merchandise and fixturing.

A Gitano shop is already in place at Kingston, with another expected to open in Matawan within the month.

"I think you will be seeing more and more of this shop concept," Lazarus said. "We have been doing it in hard lines for some time—with the frame shop and the closet shop, for instance. We felt ready to expand into the apparel area."

Although no specifics have been determined, Lazarus did admit the chain is looking at additional vendors' lines that might be successful as shops.

Among the merchandise areas that Jamesway has already created shops for, in addition to frames and closet supplies, are bedding, housewares, including a Rubbermaid section, crafts, and stationery and gifts.

Due to the new emphasis, the new stores have expanded their use of overhead signs. Bright orange hanging signs call attention to both the merchandise category and the important brands found there. One area, the home entertainment center, is designed in bullpen fashion.

The newest Jamesway stores represent a trend toward larger retail spaces for the discounter

New fixturing has also updated the look of the apparel area. Four-sided racks and grids have replaced long straight racks to better showcase the merchandise. The product areas have also been better defined. Shoes, for instance, are no longer a department by itself, but is now part of either the women's, men's, or children's areas of the store. Sales at the Matawan store have exceeded projections since it opened in late March.

Computerized scanning has been incorporated into the new Jamesway stores as well. Scanning will be rolled out through the entire chain this summer. Lazarus expects all 131 Jamesway units to be converted by August.

New prototypes are not the only change at the discounter. The company is venturing into the home furnishings and housewares areas by opening two "Our House" stores later this year. The new stores will sell both discounted and department store housewares and home furnishings exclusively. The first prototype is expected to be complete in July, according to Lazarus.

Jamesway reported a 6 percent increase in sales for a five-week period ended April 1, compared to the same period in 1989. Store-for-store sales rose 2 percent.

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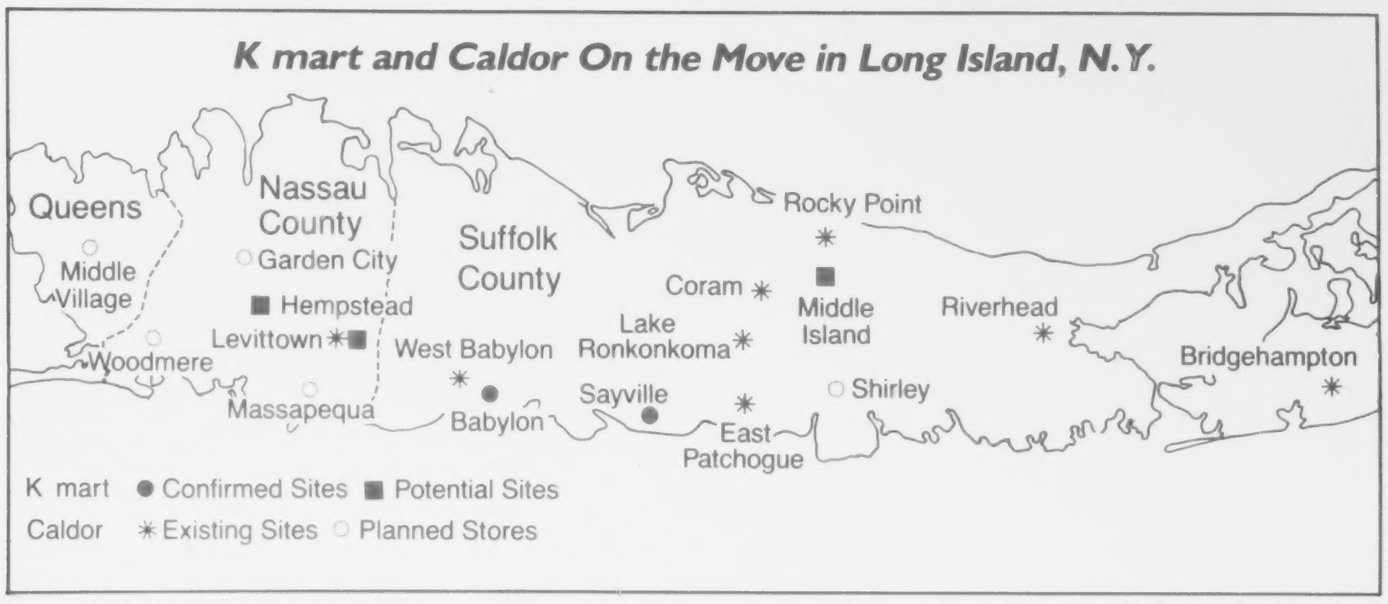
K mart Leaps Onto Long Island; Sets Up Showdown With Caldor



By Laura Liebeck

TROY, Mich. — K mart will enter the Long Island market this fall with two stores and has plans to open about 12 discount stores in the New York suburbs within the next two to three years.

DSN has confirmed that K mart will open 105,000-square-foot stores this fall in Babylon and Sayville, N.Y.

Within the coming weeks, K mart will announce two more Long Island sites, according to Wilbur Breslin, president of Breslin Realty, Garden City, N.Y. Breslin is handling K mart's real estate acquisitions on Long Island.

Breslin acquired five former TSS discount store sites on Long Island last winter when that chain sold off its property leases. Two of the sites include the Babylon and Sayville locations. The other three sites, in Hempstead, Levittown and Middle Island, are also expected be bought by K mart.

TSS sold off its store leases in January as part of its dissolution.

Moving to Long Island poses little competitive risk for K mart. Caldor is the only remaining discounter with a substantial presence. Caldor, which acquired the lease for TSS' former Middle Village

(Continued on page 30)

Pistner Sketches Ames Turnaround

By Pete Hisey

ROCKY HILL, Conn. — He may not hit .300 or drive in 100 runs, but Ames Department Stores expects Stephen Pistner to be a great free agent acquisition—and be worth more than the reported $2 million a year (and $8 million over three years, including bonus) it will pay him.

Stephen Pistner

Pistner, 58, who boarded Ames as chairman April 30, is very confident that he can rescue the company from its bankruptcy and resurrect the chain—the nation's fourth-largest discounter—but won't make any prediction about how long it would take.

"I'm a specialist in this kind of thing," he told *DSN*. "I always find the same thing: the basic rules are broken, from poor merchandise purchases, lack of balance in in-

(Continued on page 29)

Alexander's Banks on Bronx's Future

New Unit Woos Ethnic Shoppers

By Don Longo

NEW YORK — Alexander's, the discount department store chain based here, opened its first new store in a decade in the ethnic neighborhood of the East Bronx.

The store is a completely renovated former TSS site, which previously housed a Korvettes discount department store. Alexander's acquired the location last year for a reported $5 million when TSS began liquidating its merchandise and selling its real estate.

Robin Farkas, chairman of the 12-store chain, called the new two-floor, 147,000-square-foot unit the "completion of Alexander's Bronx box" (the chain operates two other Bronx stores and one in Yonkers, just north of the Bronx). Farkas led a ribbon-cutting ceremony aimed at reaffirming Alexander's commitment to the borough through its business investment in the community and charitable donations to local organizations.

"A lot of people have been saying some pretty terrible things about the Bronx," said Borough President Fernando Ferrer. He was likely referring to, among other things, the filming of the screen version of Tom Wolfe's novel, "The Bonfire of the Vanities," which drew protests over its unflattering depiction of the Bronx.

"I want to commend Alexander's because while other people are taking their stores out of the Bronx, Alexander's is putting its store in here," said Ferrer, who was among several dignitaries to attend the grand opening April 30.

Alexander's was founded in 1928 by George Farkas, who opened the chain's first store

(Continued on page 30)

***At the opening**: (from left) Roger Barrer, president; Bruce Farkas, vice chairman; and Robin Farkas, chairman and ceo.* (DSN photo)

Target Wins Its 2nd DISC Award

NEW YORK — Target Stores was named the recipient of the 11th annual DISC (Discounter in Service to the Community) Award, which is sponsored by *Discount Store News*. It is the second time the Minneapolis-based discounter has received this prestigious award which recognizes the community service efforts of the nation's discount retailers.

Target was selected based on its extensive programs which combined contributed over $5.2 million in 1989 to more than 800 nonprofit organizations addressing a wide variety of cultural and social needs.

Target's diverse efforts include: support of United Way, local public television, Goodwill Industries, Good Neighbor, Santas Anonymous, Toys for Tots, Kids for Saving Earth and much more. The company also demonstrated support for communities in crisis by supplying financial aid and merchandise for disaster victims of Hurricane Hugo, the Bay Area earthquake, and the DC-10 plane crash in Sioux City, Iowa.

***Target's Kids for Saving Earth** clubs offers schoolchildren opportunities for environmental activism.*

Target was selected by a panel of judges using a point scale rating system with the following criteria: breadth and scope of programs; corporate participation; individual involvement; store level promotions; special events; and creativity of special promotions.

The judges included John Emery, president of the Association

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MARKETWATCH

Wal-Mart Presents Technology Award

SAN DIEGO — Bobby Martin, Wal-Mart senior vp, information services (l), presents the retailer's first Technology Pioneer Award to Jack Shaw, chairman and ceo, Hughes Network Systems in recognition of "Hughes' vision and innovation in implementing the world's first large private satellite network at Wal-Mart." The discounter uses the network, linking up all the Wal-Mart and Sam's Wholesale Club stores, for data, voice and video communications, including airing six to eight broadcasts a week on merchandising, training and general corporate business. Stores get a show schedule two weeks prior to broadcast.

The Wholesale Club to Fly in Windy City

INDIANAPOLIS — The Wholesale Club plans to invade the greater Chicago market with a cluster of three membership warehouses, with units in the South Loop Marketplace in downtown Chicago and Hawthorne Works in Cicero, Ill., opening this fall and a freestanding unit in Evanston, Ill., in spring '91. The Wholesale Club expects to have 29 units by the end of the year, with Chicago as its largest market. The Windy City is already home to BJ's (3), the Warehouse Club (3) and Sam's (2).

Costco Debuts First New N.E. Warehouse

KIRKLAND, Wash. — Costco Wholesale Corp. will debut the first of a half-dozen membership clubs planned for the Northeast in October when it opens a store in West Springfield, Mass. The unit will follow Costco's latest prototype and include fresh produce and meat and a scratch bakery. The six units are scheduled to open in Massachusetts, where Costco opened a regional office in last September, and two other states, New York and Connecticut.

Tuesday Morning Opens Six New Stores

DALLAS — Tuesday Morning opened six more closeout stores for its April to May season, pushing store count to 123, and plans to open 11 more in 1990. Of the six, four are in new markets: Norfolk and Virginia Beach, Va., and Cincinnati (two stores). Tuesday Morning operates only during four peak selling seasons: Spring, August to September, October through Christmas, and February.

Catalogers Hold Annual Buying Shows

HAUPPAUGE, N.Y. — It's the time of year for the catalog showroom coordinators to hold their annual buying shows. American Merchandisers and Paul Schultz held their's earlier this month in Miami. Merchandisers' Association is holding its show at the Doral Country Club in Miami from May 20 to 23. Associated Charter Catalogs will be at Doral on The Beach, Miami Beach, from May 24 to 27 and Jewelcor Merchandising will hold its show from June 3 to 6 at Trump Taj Mahal, Atlantic City, N.J.

CD Parent Buys 20% of CE Maker

MARKHAM, Ontario — Consumer Distributing's parent, Semi-Tech Microelectronics (Far East), has strengthened its position as a combined manufacturer-retailer by purchasing 20 percent of Tomei Industrial (Holdings) for $14.8 million (Can.). Tomei, a Far East manufacturer of consumer electronics for a number of national brands, will jointly develop audio, video and small application products with STM(FE)'s Singer division. These items will be marketed through Singer's store chain in Europe and through the CD showrooms in the United States.

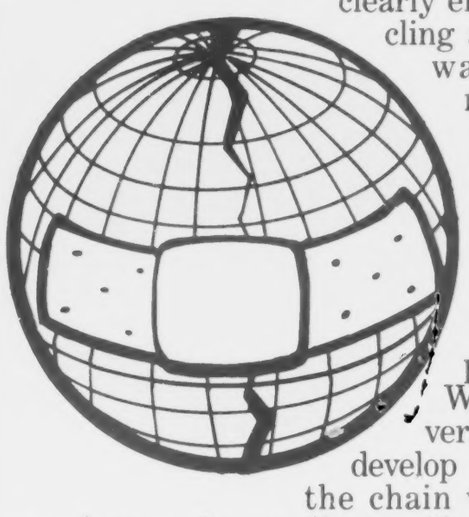
The Greening of K mart

Environmental Labeling Program Nears Rollout

By Michael Vickerman

TROY, Mich. — Adding its voice to the growing chorus of retailer concern over the nation's environmental woes, K mart outlined a three-step action plan to provide a "healthier environment for America" in a special full-page Earth Day advertisement in *USA Today.*

Like the ads that Wal-Mart ran last fall in *The Wall Street Journal* and *USA Today*, K mart's ad announced the pending deployment of in-store signage designating "earth-friendly" merchandise. But while the Wal-Mart ads, which called for "quality products that are guaranteed not to last," could be seen as promoting degradable goods, K mart's ad clearly emphasized recycling as the principal waste management approach that the chain will pursue.



Toward that end, K mart has hired a team of environmental experts from Wayne State University in Detroit to develop a questionnaire the chain will eventually send out to its suppliers, said company spokesman Ed Powers. The questionnaire will be crafted to provide the retailer with a scientifically sound basis for evaluating the environmental effects of its merchandise.

The vendors will be asked a wide variety of questions dealing with the physical attributes of their products, focusing on such considerations as chemical composition, use of renewable resources, type of packaging, the proportion of packaging to product, as well as the ratio of virgin vs. recycled materials, said Carol Miller, an environmental engineer involved in the project.

"Once the information has been compiled, we can begin comparing one product against other similar products, and then come up with some kind of scoring mechanism," Miller said.

Those items that satisfy K mart's definition of environmental friendliness will be highlighted with special signage, which is expected to be installed chainwide by early June, Powers said. The chain intends to spotlight these environmentally superior products in its store circulars as well.

Miller said that K mart wanted the survey to go beyond simply determining which products are degradable or recyclable. "To say a product is degradable doesn't tell us very much, especially if, like styrofoam, the process takes many lifetimes to complete. Also, decomposition sometimes results in compounds that can be quite harmful if released into the air or water," Miller said.

"Words like 'biodegradable' and 'recyclable' haven't been with us long enough to have precise meanings. All too often products have been judged good or bad based on superficial considerations, not on scientific ones. That's why K mart approached Wayne State with this project," Miller said.

In addition to the environmental labeling program, K mart will showcase merchandise made from recycled material using the traditional three-arrow logo.

Also indicative of the chain's commitment to recycling is its practice of using recycled paper in its headquarters, stores and DCs. In addition, the chain separates its paper and cardboard waste at most of its locations, and it is picked up and shipped to a recycler.

Shaky Parent Writes Off Jaffe's

Chain Is Third Office Superstore To Go Under

MIAMI — The termites got to Jaffe's.

The seven-unit chain became the third office supply fatality in the burgeoning business, a victim of financial troubles both inside the small chain and at Jaffe's parent company, Abitibi-Price, the Toronto-based wood products manufacturer.

Currently, Jaffe's is liquidating its inventory and expects to cease operation by early- to mid-summer, said Abitibi-Price spokeswoman Sharon Paul, vice president, corporate and public affairs.

Jaffe's started liquidating its inventory in April. Earlier this year, the home office supplies chain closed three units.

Recently, Jaffe's president Steve Sink left the company.

"For the last two years Jaffe's management and staff have worked long and hard in a tough competitive market to refine their store concepts. While its supermarket approach to retailing met with some success, the company's overall results and outlook no longer justified continuing the business," said Bruce McGroarty, president of the office products division of the diversified group of Abitibi-Price.

Jaffe's demise was signaled earlier this year when Abitibi-Price, which is experiencing financial troubles, released a letter from its chairman and chief executive, Bernard Koken, warning of cuts and layoffs.

In a Feb. 1 letter to company employees—the first of several such communications—Koken said Abitibi-Price "is conducting a broad review of all its operations in an effort to cut costs and restructure management." The letter also said that Abitibi-Price would concentrate "only on essential tasks."

Paul commented that closing Jaffe's was not directly related to Abitibi-Price's troubles and that the parent company decided to close busi-

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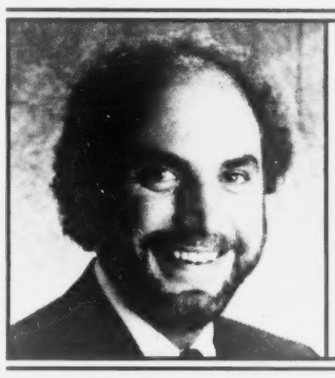
EDITORIAL

Open Letter to Ames' New Chief Exec

Dear Steve:

You have been called the "two million dollar man" and the "eight million dollar man." You have been called a "turnaround king," "Hercules," and probably a lot of other names, some flattering and some not. Yet, you have only had the job as ceo and co-chairman of Ames for about three weeks. But this is nothing new for you. You have been on the hot seat before, you have been under pressure before, you have been criticized before and you have been called a lot of names before. And you have also turned around a few companies before.

So why, then, as a 58-year-old executive who has been through it all, would you want to do it all over again? Why would you want to give up the comfortable lifestyle in Florida and the occasional consulting projects for the turmoil in Rocky Hill? Is it for the challenge; that one last chance for glory? Sort of like returning to your personal field of dreams?



TONY LISANTI
Editor

First of all let me officially welcome you back to the wonderful and turbulent world of discounting. And congratulations on your ability to negotiate such a lucrative deal and become one of the highest paid executives in the industry. I guess most people are either jealous or misinformed because they really don't understand exactly what you are getting into. Actually, with your $2 million-plus annual agreement, you will be receiving almost as much as Ames' entire six executive officers in 1989, whose combined salaries were $2.5 million. And the criticism that because you are working for a discounter (or the fact that Ames has filed Chapter 11 with over $850 million in debt), that your salary should also be discounted is hogwash. You and I know that.

You and I also know that Ames needed a change. And we know that you face a much more serious task at a much more troubled company than you did at Target, Montgomery Ward or McCrory.

Furthermore, you and I know that everything you want to do has already been decided by industry analysts and the media making your job easy. So all you have to do is make a few simple changes and go back to Florida. Right, Steve?

I've heard that you are going to do the following:

- Get merchandise back into the stores;
- Close some or all of the remaining Zayre store locations;
- Cut back on some programs and some people.

Really, Steve, all you need to do is bring Ames back to where it was in 1985 and start over. Just forget Zayre and Murphy Mart as you would forget a bad relationship. It is that simple, isn't it?

I know the vendors are skeptical. I know the customers are confused. I know the buyers are confused. I know the operations people and systems are overloaded. And no one is standing in line to buy the Zayre stores.

You see, Steve, it's not that simple, is it? No one realizes how difficult a task you face. It's not going to be as easy a turnaround for Ames as everyone believes.

But, I know you're not worried. You've been through it all before. In fact, the least of your problems is what anyone else thinks. And I would tell any skeptic that if you get the job done and save Ames, it will be worth every penny, every sleepless night and every possible name you will be called.

And when you're finished, let me know. There are a few other companies around that could use your expertise.

Welcome back and best of luck.

BUYERS & SELLERS

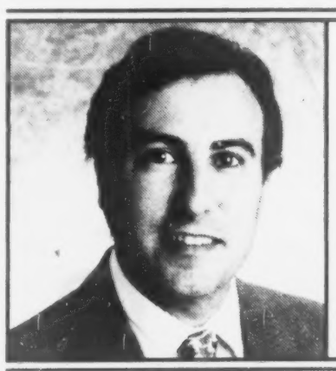
Who Will Fill Zayre's Shoes in Inner City?

Zayre, the nation's preeminent urban/ethnic chain, is disappearing from the retail landscape at a time when ethnic consumers are growing in numbers and importance.

According to demographic projections, ethnic minorities—including blacks, Hispanics and Asians—will represent 26 percent of the U.S. population by the year 2000. This growing group has money to spend. In the Hispanic market alone, the mean household income has increased 89 percent during the past decade, from $16,019 in 1979 to $30,243 in 1989. A recent survey of Asian Americans found that this equally fast growing ethnic group outearns the average total U.S. population at the highest income brackets.

Zayre, at its height, operated some 380 stores and generated nearly $3.3 billion in sales, much of that from urban/ethnic neighborhoods throughout the country. Zayre's demise after its acquisition by Ames, and Ames' subsequent bankruptcy filing last month, leaves a tremendous void that other retailers have yet to fill.

For all the mistakes Ames made in trying to absorb its huge acquisition, the worst was alienating Zayre's core customers by abandoning the highly promotional image the chain's shoppers had come to know and love.



DON LONGO
Exec Editor

Instituting an everyday low price policy in place of a promotion-driven pricing format is not as easy as it sounds—just ask Sears! Besides, an everyday low price policy does not work if a company is not operating with everyday low *costs*.

Ames' compounded the problem when it retrofitted the Zayre stores to conform to the Ames' prototype. In the process, the stores lost much of their ethnic appeal. What's fashionable in Rocky Hill, Conn., is not necessarily fashionable in Washington, D.C. Despite all its faults prior to the Ames' acquisition, Zayre had traditionally been credited with carrying one of the strongest ethnic health & beauty aids departments in retailing. Sources have indicated that under Ames even that competitive strength was diminished.

But, that's Monday morning quarterbacking. The question now is: Who can step in and serve the Zayre constituency?

K mart? The nation's largest discount chain does have familiarity with urban customers. However, with all its new stores being designed to conform to a more upscale-looking prototype, it's doubtful K mart is particularly interested in filling that niche.

Sears? The Sears Ltd. test stores seemed like a logical way for the retailer to opportunistically expand in urban areas that normally could not support a full-line Sears department store. However, after just a one-year test, Sears this month decided to close its downsized Sears Ltd. inner city store located in Chicago. While a larger, suburban Chicago Sears Ltd. has been termed a success and is slated for expansion, Sears does not appear to be targeting the inner city with this concept.

Wal-Mart? Get serious. Why would the small-town retail champ want to tackle inner city populations?

Target? The upscale discounter has proven its mettle in major metro markets, yet its fashion goods orientation does not make Target the ideal candidate to replace Zayre in the inner city.

Few other major discounters are in the financial position to undertake a major expansion right now. One possibility is far out, yet intriguing.

At the grand opening of Alexander's newest store located in the ethnic neighborhood of the East Bronx, N.Y., customers practically knocked down barricades to get in and spend their hard-earned money. Customers' comments were effusive in their praise of the former Korvettes and TSS store and lines at the cash registers signaled Alexander's ability to capture the hearts of the heavily Hispanic community.

Real estate developer and casino tycoon Donald Trump is a part-owner of Alexander's. With his financial backing, Alexander's, which until this month hadn't opened a new store in a decade, could expand into other urban, inner city ethnic neighborhoods. Alexander's could take over the former Zayre stores in Chicago and Miami, and could target Los Angeles for future growth.

My only suggestion to The Donald is that he curb his passion for putting his name on everything that he owns. I'd keep the Alexander's nameplate on the store. I don't think "Trump's Discount City" would go over big in the East Bronx.

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HARD LINES

Automotives • Health & Beauty Aids • Hardware • Toys • Stationery • Sporting Goods • DIY

Show Searches for Mass Appeal

Stationery Expo Expands Home Office, Halloween to Lure Buyers

Nationwide DSN Report

Despite efforts by organizers of the National Stationery Show, a large contingent of mass market retailers and manufacturers will not be attending the annual event. Still, the growing importance of home office and Halloween season sales is providing incentive for some retailers to give the show a second look.

Such manufacturers as American Greetings, Ambassador Cards, Gibson, Stuart Hall, Sanford and W.T. Rogers plan to remain strong supporters of such events as the Back-To-School Merchandise Show which is more attuned to the mass market, company reps told *DSN*.

George Little Management, show manager for the 44th annual National Stationery Show being held May 20 to 23 at New York's Jacob Javits Convention Center, has been trying in recent years to appeal to more mass market-oriented attendees.

This year, Marian Burke, show manager, said she produced a special mailing for mass market vendors and retailers to entice greater attendance. She said the mailing highlighted the show's three seminars, the types of products exhibited at the event and a general introduction to the show. The result, so far, is the beginning of more mass market attendees, she said.

For example, Stuarts, with 23 stores, will be attending the show for the first time in many years, said Linda Hamilton, stationery buyer. Hamilton said she is interested in beefing up her party goods section and in bringing in more "new and trendy" items in licensed party goods and giftware.

The annual stationery show is geared mostly to the gift and specialty retail segment. Nevertheless, there is a good deal of product overlap between the specialty retail and mass market groups: social stationery, paper party items, prints and posters, and home office stationery.

In fact, home office stationery is a growing merchandise category at the show. Home office was introduced to the show just two years ago and now over 100 exhibitors are expected, Burke said.

The National Stationery Show expects attendance to hit the 50,000 mark, 25,000 of whom will be buyers. About 1,400 exhibitors are expected to display their wares in 340,000 net square feet. Product categorization, introduced last year, will be dropped for the 1990 event since buyers overwhelmingly "said they prefer to come upon something," said Burke.

Two themes should establish themselves as trends during this year's show: Halloween-related merchandise and licensed products, particularly The Simpsons, said Burke.

Party goods, especially shopping and gift bags, and home-office products also are expected to remain strong during the 1990 event.

Directing attendees' attention to the growing importance of Halloween will be a haunted house display on the exhibition floor. The haunted house will feature products from various manufacturers, a first for the show.

By all accounts, Halloween has become a holiday of growing importance. Many families now prefer their children to celebrate at home with friends rather than going door-to-door trick-or-treating. Parents, too, have joined the Halloween party spirit, increasing the need for party supplies for both groups.

In response, companies such as American Greetings have increased their offerings in Halloween merchandise. New for Halloween 1990, American Greetings is introducing two new lines of Halloween party goods, decorations, candles and cards under the Forget Me Not label.

U.S. Forecasts More Growth in Video Games

By Deane Evans

WASHINGTON — Video game sales, which put $3.5 billion in discount store and other retail tills last year, will continue to grow through 1994, according to a recently released U.S. Department of Commerce study.

"In 1989, electronic video games were the top selling toy, continuing their rebound started in mid-1986," researchers reported. The study showed that about one-fourth of the 90 million U.S. households currently own a video game system.

Domestic toy manufacturers' sales slid $80 million to $3.7 billion last year. Economists said, "the lack of a hit toy" was the major factor in declining U.S. manufacturer sales.

According to the study, the dim picture for the domestic toy industry is not expected to improve much during the next five years. Economists forecast another decline in value of shipments in 1990, about 1.1 percent after adjustment for inflation. Marginal improvement—an annual inflation-adjusted gain of 1 percent—is predicted from 1991 through 1994.

Shipments of sporting goods equipment such as golf, tennis, bowling and fitness increased slightly in 1989. U.S. manufacturers' sales were up an estimated 4.5 percent (1 percent after adjustment for inflation) from $5.3 billion to $5.5 billion. After inflation, last year's increase amounted to 1 percent, about half the inflation-adjusted 2 percent rise in shipment value predicted for 1990.

Sales of exercise equipment was a key factor influencing the 1989 market. Industry sources reported that sales increased an estimated 8 percent last year, reaching $1.1 billion. Moreover, economists predicted that "the future of exercise equipment should remain strong in coming years, as physical fitness is no longer a fad, but a lifestyle."

Trends and Forecasts: Dolls, Toys and Games
(In Millions of Dollars)

Item	1987*	1988**	1989**	% Change 88-89
Value of Dolls, Toys & Games Shipments	3,714	3,778	3,702	−2%
Dolls & Stuffed Toys	285	—	—	—
Games & Toys	3,429	3,498	3,428	−2

*Preliminary **Estimated

Source: U.S. Dept. of Commerce: Bureau of the Census; International Trade Administration

Trends and Forecasts: Sporting & Athletic Goods
(In Millions of Dollars)

Item	1987*	1988**	1989**	% Change 88-89
Value of sporting & athletic goods shipments	5,058	5,302	5,539	+ 4.5%

*Preliminary **Estimated

Source: U.S. Dept. of Commerce: Bureau of the Census; International Trade Administration

MARKETWATCH

Sears' Hardware Nears Reformat

CHICAGO — Sears, Roebuck & Co. appears close to rolling out its latest power format: hardware. Sears has renamed its lawn, garden and hardware department Craftsmen Home & Yard Center, and is operating as a test at least 21 such centers remerchandised with a variety of brand goods, in addition to its traditional Craftsman private label. A spokesman declined to disclose a national rollout date, even though Sears has renamed all departments, whether remerchandised or not, and begun a national TV campaign to promote them.

Spin-Off Looms For Fisher-Price

EAST AURORA, N.Y. — Quaker Oats will spin off to shareholders its troubled Fisher-Price toy division as a freestanding company. F-P, which accounts for 15 percent of Quaker Oats' $5.7 billion in sales, posted an operating loss of $25 million last year, compared with operating profits of $9.2 million in 1988.

Canadian Tire Looks Southward

TORONTO — Canadian Tire is set to take another crack at the U.S. automotives aftermarket, starting with four new stores in Indianapolis. The as-yet unnamed chain will feature stores of 10,000 square feet of selling and storage space and at least five auto service bays. No probable opening date is available. Canadian Tire, which operates 400 home and auto stores in Canada, lost $192 million in 1986 when the company sold Texas-based White Stores to Western Auto in 1986. Canadian Tire had bought the auto chain in 1981. Sales in 1989 were $2.5 billion (Canadian).

Chief Auto Begins Battery Recycling

DALLAS — Chief Auto Parts has rolled out a chain-wide program to recycle lead-acid batteries, in addition to a test program to recycle used motor oil at about 50 of its 500 stores.

Motorists who wish to recycle junk auto and truck batteries may turn them in at any Chief Auto store. Chief accepts any brand of battery, regardless of where purchased.

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Ames Counts on Pistner Miracle

(Continued from page 1)

ventory and systems that don't meet management's needs to lack of quality internal communications."

The causes of the problems he has faced in the past, he said, go back to poor management. "The business has lost its course because management is responding to its troubles, not in any sense managing the business to make a profit."

He noted his accomplishments—turning Target and then Montgomery Ward into highly successful retailers—but acknowledged that Ames was a different challenge in that it was in Chapter 11.

Briefly analyzing the Zayre acquisition—which doubled Ames' size and became the root of the retailer's downfall—he explained, that Ames' management "didn't understand the chain's strengths and weaknesses. They overestimated their capability and skill in managing at a distance. If you can't do this, you can't accomplish an acquisition."

Pistner said his first priority was getting the stores restocked. "Our resources are coming up to speed very fast and I appreciate the backing and support they are giving me and [president George] Granoff. He's a very solid and experienced executive and we can talk in shorthand."

He was now examining Ames' operations, "spending nights," he noted, looking over the chain's numbers and its plans and reviewing its management. "Changes in management should become clear almost immediately," he said, noting other indications would take longer before they become evident.

The next moves on the long road back for Ames, he added, will follow the formation of creditors' committees.

Pistner's confidence in his turnaround abilities seems to be shared by other individuals. The consensus description is that Pistner is a tough, even draconian turnaround artist. "If they want someone to crack the whip, that's what they got," said a former Ames executive. "He'll be very tough, and that's probably what Ames needs right now," an industry observer added.

"Talking with him is like talking to a machine gun," a former associate noted, with more than a hint of admiration.

Pistner's mid-1970s restructuring of Target, insiders said, involved re-establishing its merchandising priorities and cutting a lot of fat. His reward: head of Target's parent Dayton-Hudson, a post he held until becoming chairman of the then-moribund Ward in 1981.

At Ward, the vast merchandising and operating changes that turned it into a success story occurred two years after Pistner left, when Bernard Brennan became chairman.

From Ward, Pistner moved to McCrory, and then began a new career as a consultant.

And now Ames, perhaps Pistner's greatest challenge. His potential reward in cash and generous expense allowances are enormous as would be the payoff for battered stockholders.

Ames, a major Northeast retailer, never developed a real personality. It succeeded mainly because founder Herb Gilman spotted stores in small, isolated markets with little competition. He also followed an ultra-conservative merchandising program that avoided advertising excesses and trendy fashion merchandise which crippled several rivals. But on the other hand Ames was left with a dowdy image.

Ames had one terrific advantage through most of its history. Operating almost solely in New England and upstate New York, the chain had the most compact operating area in discounting.

However, in the mid-1980s, Ames headed into new territory—buying the Pittsburgh-based G.C. Murphy chain of discount and variety stores.

Eighteen months ago, Peter Hollis, then Ames' ceo and president, with the reluctant backing of the now-retired Gilman, acquired Zayre, once the dominant discounter in the Northeast.

At the time, Hollis noted the potential for "synergies" between the two chains, particularly their similar geographic locations, merchandise categories and operations systems. However, in retrospect it seems that those synergies were more in the minds of a "think positive" Ames management than they were based in reality.

Reality won. Ames' April 25th Chapter 11 filing became the largest bankruptcy in the history of discounting.

What will Pistner do to bring this chain back? He has several elements working in his favor. First, the original Ames stores have retained profitability. Not much, evidently, but they're not hemorrhaging money. Many of the Zayre stores also are turning a profit, although Chicago appears to be an unmitigated disaster.

Pistner is expected to shut stores. The threefold plan: cut losses, generate funds and streamline operations to get the chain under control. Most Zayre units are likely to be scrapped, some because they're unsalvageable, some because they have resale value at auction, and some because they're too far away or isolated to be run effectively.

The likelihood is that the Ames that emerges from bankruptcy will have 300 to 400 stores, roughly its size before the Zayre purchase.

McNulty in Pic 'N' Save Takeover Try

(Continued from page 3)

The sole general partner in Girard is David H. Batchelder, formerly vice president of finance, and treasurer of Mesa Petroleum, who served as chief strategist for takeover raider T. Boone Pickens. In March 1988, Batchelder left to form Batchelder & Partners.

McNulty's office declined to comment on his involvement in the Pic 'N' Save takeover attempt.

Pic 'N' Save also declined to comment beyond releasing a vague statement expressing doubt that a takeover could succeed given the chaotic state of today's junk bond market.

In that statement, chairman, president and chief executive officer Lewis B. Merrifield III said, "our board of directors and management have been and remain committed to maximizing shareholder value both now and in the future.

"We have developed an operating plan which we believe will achieve this end. However, given the potential we see in Pic 'N' Save and what we believe to be the current disarray of the financial markets, we have serious reservations about whether now is the appropriate time to seek either a leveraged buyout or sale of the company. Moreover, we have serious doubt as to whether any LBO proposal at a price that would be attractive to our shareholders could be financed."

A spokesman emphasized that as of presstime, Girard had made no specific offer to buy Pic 'N' Save.

Pic 'N' Save operates 190 stores in the West and Southwest, as well as Metro New York. Its 1989 sales came to about $400 million.

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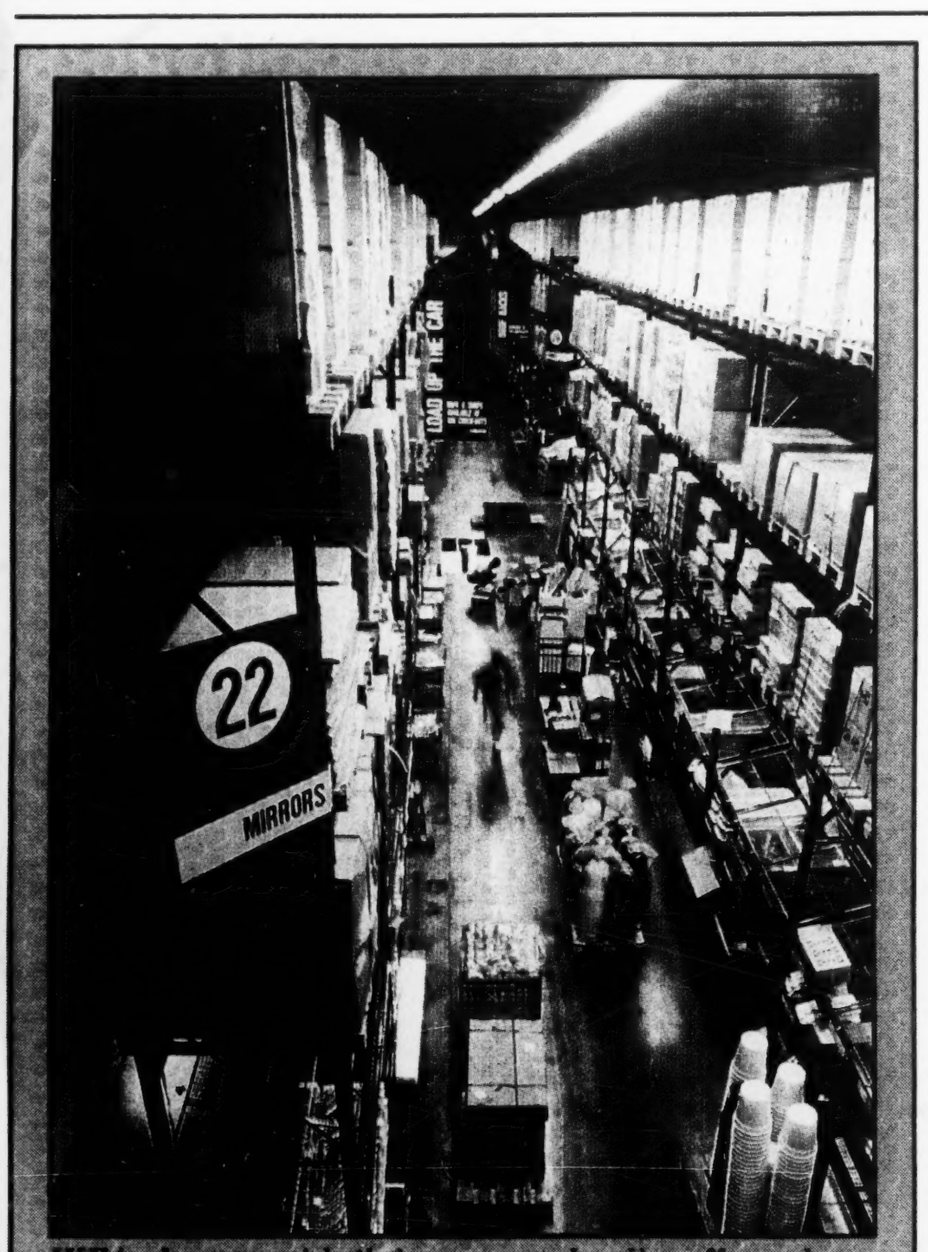


IKEA shoppers pick their own merchandise off warehouse racks, matching numbers on showroom furniture. (DSN photo)

Euro-Style IKEA Hits Metro N.Y. Market

By Richard C. Halverson

ELIZABETH, N.J. — With the opening of its first store in metro New York, IKEA has again demonstrated how to transplant a retail concept from its native country to nations as diverse as Saudi Arabia and Hong Kong.

A comparison of IKEA's latest store in Newark and a similar-size store in Brent Park, London, shows almost identical store formats, merchandise, catalogs and fixtures.

The only concession the Swedish home furnishings chain makes to U.S. tastes is to make its wallpaper strippable. Otherwise, it offers a standard merchandise mix developed for European tastes.

Offerings include scatter rugs measured in centimeters, kitchen cabinets and bath vanities that can't be screwed directly into American house studs, paint by the 10 liter (2.64 gallons) and 5 liter (1.34 gallon) pails and beds that won't fit U.S.-sized mattresses. Such merchandise ensures that replacements must come from IKEA.

(Continued on page 10)

K mart in '95: Bigger Stores, Lower Prices

By Pete Hisey

TROY, Mich. — Anyone expecting fireworks at slumping K mart's annual meeting was disappointed. Instead of criticism, chairman Joseph Antonini was greeted with rounds of sometimes extended applause as he delivered a "Retail Facts of Life" address, and wrapped up the meeting in a little over an hour.

Antonini sketched his view of the K mart Corp. in the year 1995, a vision that included 2,500 revamped or new K mart stores modelled on the recent Oak Park, Mich., prototype unveiled last year. They will be larger than the average K mart, roughly 87,000 square feet, so some 620 stores will have to be enlarged and another 298 replaced. Approximately 250 new locations in new, mainly rural, markets will be built over the next five years.

Those 2,500 stores (no more are envisioned) will be buttressed by "high volume, high quality, low cost" specialty formats, like Builders Square, newly acquired Pace Membership Warehouses and sporting goods megastore retailer Sports Authority. The latter two will grow at roughly 10 to 15 units per year, Antonini said, and all specialty operations will premier new formats in the coming year.

(Continued on page 117)

Good Guys Don't Finish Last

By Pete Hisey

SAN FRANCISCO — In an industry where 3 percent same-store sales increases are a cause for a flurry of press releases, what does a 25 percent increase merit? Particularly if the following quarter results in a 24 percent increase?

Those are the numbers that The Good Guys, the 22-store consumer electronics chain based here, posted in the first quarter (ended Dec. 31, 1989) and the second quarter (ended March 31, 1990).

According to president

(Continued on page 8)

***The Good Guys has tripled its** size since 1986. Higher-end products help differentiate, and distance, the chain from competitors.* (DSN photo)

Fax Marketers Take Aim At the Home Segment

By William McLoughlin
Special to DSN

Your daughter wakes you up in the morning and says she doesn't feel well. You take her temperature. Bingo. No school today. Five minutes later you're faxing a note to the school: "Dear Mrs. Jones . . . "

Telephone the doctor and have him fax a prescription to the drug store. Fax the druggist and ask them to deliver it along with a few other flu season necessities.

Sound farfetched? Not so, say a growing number of fax marketers, who are already looking beyond the burgeoning home office segment to the emergence of a true "home" facsimile market.

While current penetration

(Continued on page 8)

SPARCing IMRA

In part to help boost retailer attendance at its annual convention, the IMRA has agreed to co-sponsor *DSN's* annual SPARC (Supplier Performance Awards by Retail Category) banquet during next year's convention. The new Excellence in Retailing Banquet will be held on the opening night of the 1991 convention in Dallas. (See IMRA, page 3.)

Apparel: Putting Their Best Foot Forward — page 39

Home Products: Buyers Expect Busy CE Show — page 41

Hard Lines: Looking For Next Year's Dick Tracy — page 111

Insights: Uncertainties Spur Outlets' Growth — page 19

RTA Merchandising: A Look at RTA in the '90s — page R1

MARKETWATCH

Wal-Mart Sets 2nd Harrisburg, Pa. Unit

HARRISBURG, Pa. — Wal-Mart's known plans for new stores in Pennsylvania, keystone of its Northeast invasion strategy, now includes a second unit in Harrisburg, for a total of seven. The second capital area location will be in Silver Spring Township in the new Sporting Green Square mall on the West Shore of the Susquehanna River. The other is on the East Shore in a new mall called Swatara Crossing. A Sam's Wholesale Club will go up next door.

Sprouse-Reitz Eyes Unsolicited Offer

PORTLAND, Ore. — An Oakland, Calif., real estate investor has made an unsolicited offer to buy the Sprouse-Reitz variety store chain for $24.4 million. Sprouse-Reitz operates 287 stores in 10 Western states. The chain said its board its considering the offer out of duty to shareholders, even though the company isn't for sale.

Staples Targets 70 Stores by Year-End

NEWTON, Mass. — Staples is now a 48-unit chain of home office superstores. Recent store openings include Norwalk Conn., Warwick, R.I., and Paramus, N.J. By the end of the year, Staples plans to be a 70-unit chain, including up to eight stores in California. By early 1993, Staples plans to operate up to 130 stores including up to 34 in California.

[illegible] Offers 2 Board Seats

[illegible], Calif. — Pic 'N' Save has offered two of [illegible] Girard Partners, an investor group that [illegible] to wrest control of the closeouter in order either to sell it or buy it itself. In a previous attempt to fend off the hostile overture, Pic 'N' Save put itself on the auction block. Girard includes Robert J. McNulty, one of five men whom the partnership seeks to install on the board. The limited partnership owns a 6.6 percent stake but has made no offer to buy the remaining shares.

Office Depot to Make Stop in Kansas City

KANSAS CITY, Mo. — Office Depot, the office supply superstore based in Boca Raton, Fla., will open its first unit here, according to Leo Eisenberg Co., a commercial real estate firm. Office Depot has leased 27,466 square feet in the Metcalf 103 Shopping Center in suburban Overland Park.

Retailers Raise Funds for Boy Scouts

CHICAGO — Bernard Brennan, chairman, president and ceo of Montgomery Ward, and John Shea, president and ceo of Spiegel, co-chaired a Boy Scouts Lunch-O-Ree on May 17 to help raise $800,000 for Chicago-area Boy Scouts. Brennan and Shea encouraged all retailers operating stores in Chicago to participate in the fund-raising efforts. This year, JCPenney, Marshall Field's, K mart and Wal-Mart Stores actively participated in the luncheon.

JCPenney Boosts Involvement in JCPTV

DALLAS — JCPenney has taken two steps to boost its involvement in the JCPenney TV Shopping Channel's merchandising. It has named Al Bell to the new post of director of merchandise for JCPTV. It has also relocated the teleshopper's buyers to JCPenney's Dallas headquarters to give them more access to the retailer's own buyers and vendors, thereby enabling them to expand the cable retailer's apparel offerings. JCPTV's buyers had been stationed at the teleretailer's production and marketing studios, Shop Television Network in Los Angeles.

Retailers Will Spend $11B on MIS

ARMONK, N.Y. — IBM chairman John F. Akers told stockholders that the $62.7 billion company projects U.S. retailers will spend over $11 billion for information systems this year. Manufacturers will invest more than $30 billion, followed by financial institutions at over $18 billion. Educational use will account for the fourth-largest amount, more than $10 billion.

FOR THE RECORD

AT&T, Emerson and Thompson are the three finalists for the SPARC (Supplier Performance Awards by Retail Category) award in the consumer electronics category. The category was inadvertently omitted from a list of SPARC nominees published in *DSN's* May 7th issue.

Ulrich, Dabah, Fauber Tops In Reader Poll

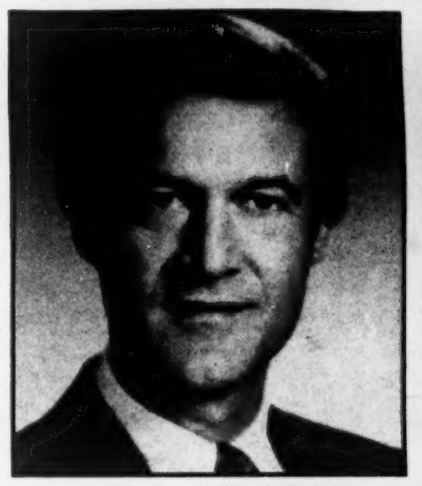
NEW YORK — Robert Ulrich, chairman of Target Stores, has been voted Discounter of the Year based on a reader poll conducted by *DSN*.

The recipients of two other prestigious annual retailing awards sponsored by *Discount Store News* were also announced. They are:

- Haim Dabah, president of Gitano, was named Vendor of the Year.
- Bernard Fauber, former chairman of K mart, was named to *DSN*'s Discounting Hall of Fame.

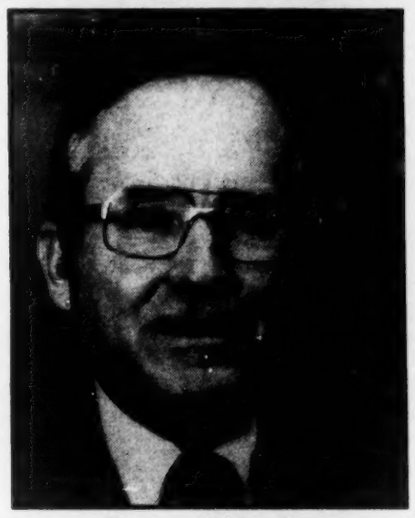
Ulrich was selected from a ballot of six nominees that included: Jim Sinegal, president, ceo, Costco; Tom Stemberg, chairman, ceo, Staples; Richard Sharp, president, ceo, Circuit City; Bernard Brennan, chairman, president, ceo, Montgomery Ward; and Warren White, executive vp, gm, Clover.

(Continued on page 117)



Robert Ulrich

Haim Dabah



Bernard Fauber

The Wholesale Club Debuts Prototype

INDIANAPOLIS — The Wholesale Club debuted a new prototype with the opening of its fourth unit here, the 25th warehouse in the chain.

Opened May 17, the newest store is a 110,000-square-foot unit sporting the company's 1990 prototype format, featuring 20,000 square feet of additional selling space, said Tom Geisse, senior vice president, marketing. The ceilings are 28 feet high, allowing enough room to stack four pallets rather than the usual three, said Geisse.

In addition, the new prototype features steel outer walls, giving the unit more storage/merchandising space. More selling space was carved out from some relatively minor layout adjustments: moving shopping carts outside the building and reducing the size of the receiving area, front-end and business office.

The 25-unit chain, which tallied sales of $569.7 million in 1989, plans to open five more units by year-end, including its first downtown unit in Chicago, south of the Loop. Chicago will get two other units this year, in Evanston and Cicero. All three will open this fall, said Geisse.

A second unit is slated to open this fall in Youngstown, Ohio, and one in Racine, Wis.

Prior to the newest Indianapolis unit, The Wholesale Club opened a warehouse in Milwaukee in late April.

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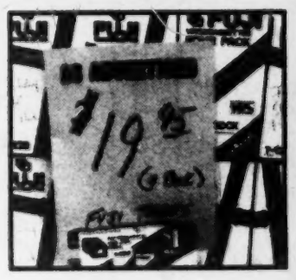

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EDITORIAL

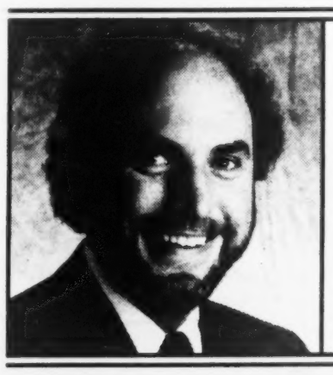
'Partnership' Absent From IMRA Expo

So what if you threw a big party and no one came!

Well, it wasn't quite that bad during last month's annual industry convention sponsored by the International Mass Retail Association, but the retail attendance was poor and it was one of the most talked about aspects of the show. Not only were many of the vendors (see Don Longo's column below) echoing this cliche, but even the retailers were concerned why so many of their peers, their fellow retailers, their friendly competitors, were noticeably absent.

"What's the big deal? Who cares?," you say. Let's take a closer look at the situation.

I have never been associated with an annual convention or exposition, nor do I know of one, at which there is so little support from the buying community, or in this case the nation's discount and specialty retailers. The discount industry is the most viable, the most prominent, and the largest segment of retailing. Therefore, one would assume that its annual gathering would be an event that no one would dare to miss. A rally of sorts; a showing of power, strength, and dominance.



TONY LISANTI
Editor

But this was not the case at this year's convention in San Diego, which had the lowest attendance of retailers ever. Only 47 retail companies were registered, compared with almost 60 in 1988 and over 100 in 1981. Not only were there fewer companies, but fewer representatives from each chain. Of this year's total in attendance five were service firms and lessees; four were Canadian retailers; four were variety store retailers; and three did not show up. There are more than 150 discount retail chains and more than 200 retail companies if you include other Canadian retailers and affiliated companies. Furthermore, over 130 retail firms are members of IMRA.

This apathetic attitude, this lack of support, this lack of involvement among the retailing community is not only a sad commentary of what many observers already perceive as a troubled industry but it is downright embarrassing to each and every person affiliated with the industry.

An annual convention should be a time of unity; a time to exchange ideas and seek solutions to common problems. Not a time of apathy that fuels criticism and turmoil.

It's ironic that the buzzword of the convention was "partnership." Over and over again, guest speakers preached partnerships between retailers and vendors as the way to do business in the 1990s. I would think that part of this partnership is attending and participating in the annual convention.

Why are retailers snubbing the convention? I've heard many different reasons, or excuses, ranging from the cost to the value to the time to the fact that it took place on Mother's Day weekend and so on.

What can be done to boost retailer attendance? I've also heard several ideas including inviting a large contingent of retailers from the same company to attend at a significantly reduced cost.

But these issues are in the capable hands of the IMRA board of directors. And they are always exploring ways to encourage retailer participation not only at the annual convention but throughout the year as well.

One step in the right direction was the announcement by IMRA that the association will join forces with *Discount Store News* by making *DSN's* well-known SPARC (Supplier Performance Awards by Retail Category) a part of the convention beginning in 1991. The supplier/retailer awards, traditionally announced in August by *DSN*, will now be unveiled during the opening banquet of the IMRA convention.

The purpose of this column is not to point a finger at any particular company or individual, but to encourage open discussions towards a solution; to encourage everyone to get involved in the industry; to encourage everyone to be proud.

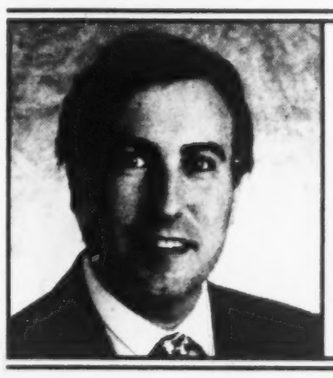
If you have any suggestions, write to me (at the address listed below) or fax me your opinion at (212) 838-9487.

BUYERS & SELLERS

No-Shows Missed a Well-Conceived Program

"You spend anywhere between $15,000 to upwards of $40,000 to attend and exhibit at your industry's annual convention so that you can meet your customers, talk over problems, and cement partnerships. In fact, the theme of so many of the general sessions was partnership between vendors and retailers. Then, you look in the attendance directory and see that many of the retailers didn't even bother to attend, or they didn't send as many people as they said they would. Others came late, and left early. Some made their speeches or sat on a panel, and made hardly a token visit to the exhibit floor. That's pretty difficult to swallow—especially with all the talk about forming partnerships. How do they expect us vendors to become partners with them if they won't even see us at the IMRA convention?"

No single vendor exhibiting at last month's annual IMRA convention in San Diego made the above comment. Instead, it's an amalgam of the views of many of the exibitors I talked with who were disappointed in retailer participation at the show.



DON LONGO
Exec Editor

Here's some other comments expressed by manufacturers either during the show—especially the first two days when several vendors could be seen wringing their hands and talking amongst themselves—or in phone conversations immediately after the event:

- "I'm really embarrassed for the retailers. They are not supporting their own organization."
- "More of the specialty chains should have come. They certainly share many of the same concerns as the mass retailers."
- "Wholesale clubs do big business with consumers. Price Club was on the attendance list, but I didn't see them."
- "Catalog showrooms are missing the boat by not being here. I saw Ray Zimmerman from Service Merchandise. I wish he had more of his people with him. And, where are the other catalogers?"
- "Where's Sears, Montgomery Ward and Woolworth? They should be here. They definitely are part of the mass retailing industry!"

Those retailers missed one of the best programs of seminars and roundtables ever put together by a trade association. Sessions on tomorrow's marketing challenges, the partnership program report by Jack Shewmaker, the look into the future by Dr. Marvin Cetron, and the standing-room-only session on environmental issues were cited by manufacturers as particularly apropos.

To be fair, several vendors reported a substantial pickup in retailer traffic over the final two days of the convention. Many termed the event a success overall. But, it's also good to see that the IMRA is taking steps to attract a larger turnout of retailers next year. Those steps include the addition of *DSN*'s annual SPARC (Supplier Performance Awards by Retail Category) to the IMRA convention program.

Another positive suggestion I heard was moving some of IMRA's successful conferences, such as Financial & MIS or Advertising, to run simultaneously with and at the same site as the annual convention. Then, financial or advertising executives could attend their own program of seminars, yet still be able to visit with vendors exhibiting their wares at the annual conference merchandise show. To really build a good partnership you need to know more than just a handful of people in the retailer's organization. It would be beneficial to both retailer and vendor to encourage greater interaction at all levels of their organizations.

Imagine the benefits to both companies if the retailer's chief financial officer or computer guru met with key executives at the vendor to discuss ways to facilitate billing or to eliminate unnecessary paperwork. The advertising exec could talk about product and store image, demographic changes and other marketing issues with the manufacturers.

It's an idea worth considering.

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FACTORY OUTLETS

Uncertain Climate Spurs Outlets

Stores Inch Closer to Off-Pricers' Turf

By Richard Halverson
Nationwide DSN Report

Factory outlet stores are getting a powerful boost from the retail chaos engendered by the Ames and Campeau bankruptcies.

No longer pipe rack operations carrying seconds and last year's unsold styles, factory outlet stores now offer a complete selection of the same first-quality, current fashions that department stores feature. And, the vendors don't have to worry about getting paid for the merchandise they retail on a cash-and-carry basis.

To avoid offending their department store customers, manufacturers traditionally have avoided locating their stores close to major urban centers or conventional malls. But that reluctance is diminishing. In Holland, Mich., for example, the Horizon Group built one of its five outlet malls right next to a conventional mall, where many of the same brands appear at full retail.

As developers run out of traditional outlet mall sites close to tourist destinations, they will begin moving closer to major metropolitan areas, such as Western Development did with its Franklin Mills Mall in Philadelphia, consultants predict.

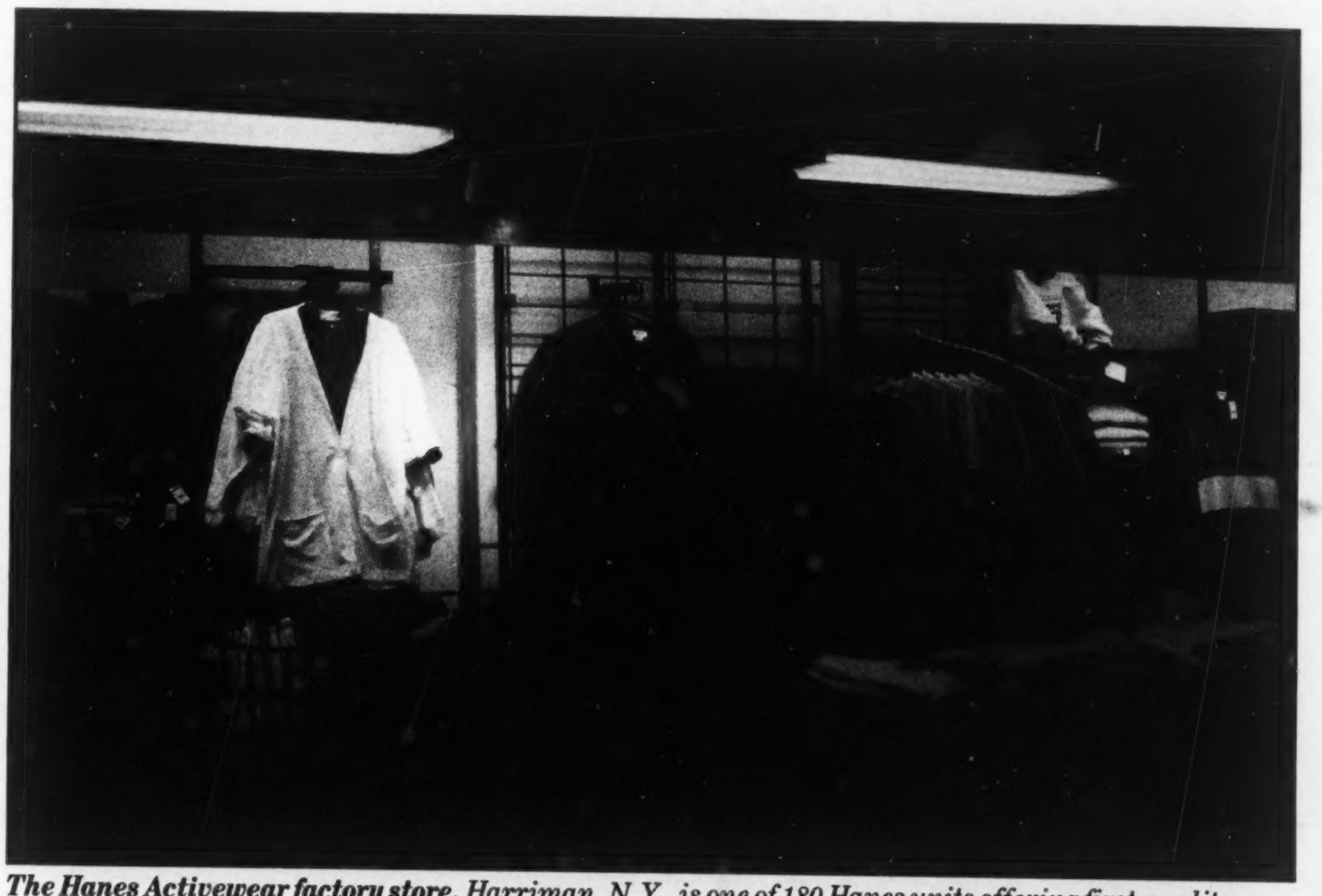
But most manufacturers haven't lost their traditional reluctance to talk about their retail operations.

The Factory Outlet Committee of the American Apparel Manufacturers Association conducts an annual survey of outlet stores, a spokeswoman said. The manufacturers refuse to let the association release even the names of vendors operating factory stores, much less the number of outlets they operate.

"They're rather secretive about their outlet business," the spokeswoman said. "They don't want a lot of publicity."

Increasingly, apparel manufacturers view their own stores as a new channel of distribution for first-quality merchandise built into their production schedules, rather than as a means of disposing of overruns and defective goods.

Outlet stores generated retail sales of an estimated $5 billion in 1989, and their sales are growing at a faster rate than general retail revenues. Factory stores handle only 3 percent to 4 percent of total apparel sales, although many of the designer labels they offer, such as Ralph Lauren, Harve Benard and Kuppenheimer Clothiers, are too costly to appear in discount and off-price apparel stores.



***The Hanes Activewear factory store,** Harriman, N.Y., is one of 180 Hanes units offering first-quality, current season goods at a discount, competing with the retail chains Hanes sells to at wholesale.* (DSN photo)

Yet, major suppliers to the discount industry such as Hanes, Gitano and VF Corp. (producer of Lee, Rustler and Wrangler jeans), Vanity Fair, Bassett-Walker, Jantzen and JanSport, and Big Ben and Lollipop, are major players in factory outlet stores. Gitano operates 73 outlet stores and VF operates 25 outlet malls, with a Lee jeans and shirt outlet as prime tenants. Both offer primarily first-quality, current fashion apparel.

In August, VF will open its 26th mall in in San Marcos, Texas. And, in October it will depart from its standard practice and open a store in somebody else's mall, the 2.2 million-square-foot Sawgrass Mills Mall in Sun City, Fla., outside of Fort Lauderdale. VF plans to open a total of 10 more stores this year.

Sara Lee-owned Hanes operates 180 outlet units divided between its latest venture, Hanes Activewear, Hanes Socks and Hanes/L'eggs/Bali.

In the Woodbury Common factory mall, Harriman, N.Y., Hanes operates all three types of stores.

Other apparel and shoe brands familiar to discount store and off-price apparel shoppers, such as Wolverine, Health-Tex, Revlon and even Bass shoes, also operate some of the largest retail chains.

And even if, K mart or Wal-Mart doesn't carry, for example, Van Heusen shirts, its pricing structure of at least one-third off suggested retail brings brand products at the bottom of the line into competitive position with private label offerings.

Van Heusen, for instance, offers its $18 dress shirts for $12, a small step up from discount department store private label shirts in the $9 to $12 range and at comparable prices that off-price apparel chains such as Marshalls or T.J. Maxx would charge.

VF Factory Outlets offer first-quality current style merchandise direct from the factory at "half the lowest ticketed price" on all of its branded apparel.

In addition to mass market clothing, Gitano factory stores also offer special apparel designed and priced to appeal to department store shoppers, said president Haim Dabah. Market research shows that the typical factory mall customer is a department store, rather than a discount store, shopper, he said.

The retailers' push for higher-margin private label goods is one reason why manufacturers are opening their own stores, said Charles Bloom, chairman of the Chelsea Group.

Chelsea operates seven factory malls, including Woodbury Common, at the gateway to the Catskills resort region, and The Tin Cannery, Monterey, Calif., another major tourist town. Chelsea is developing an eighth in Petaluma, Calif., entrance to the Napa Valley wine country, a prime tourist destination.

Factory stores permit manufacturers to test new styles and help them "orchestrate and control distribution," Bloom said.

Competition for Off-Pricers

Much of the $5 billion chunk of apparel business that factory outlets are siphoning off is business that off-pricers such as Marshalls, T.J. Maxx and Burlington Coat otherwise might enjoy.

"Outlet malls may well represent another form of discounting," said Dan McCarthy, senior manager of the trade consulting group for Deloitte & Touche, New York.

Van Heusen, the largest operator of factory stores, opens stores in three types of locations: in conventional strip centers, in "pure" factory outlet malls whose tenants primarily are manufacturers, and in off-price malls whose tenants typically split between factory stores, off-price stores and other retail establishments such as beauty salons and fast food outlets.

In a recent interview in *Fortune*, Phillips-Van Heusen chairman Larry Phillips said that the 1987 decision of Macy's to drop Van Heusen shirts in favor of its own private label fueled his determination to better control distribution. In addition, Dillards dropped Van Heusen shirts in favor of Arrow when it acquired department store chains that carried his apparel, Phillips said.

About 50 percent of Van Heusen's business comes from its own stores, estimated Robert Salerno, partner for the national retail consulting group of Coopers & Lybrand, New York.

The number of "pure," or primarily factory outlet malls, rose to 240 in 1989 from 21 in 1981, said Terry Dunham, publisher of *Value Retail News*, Clearwater, Fla.

The total includes 40 opened in 1989, Dunham said. Developers will open about 40 more this year, he estimated.

Off-price malls, often anchored by, say, a Phar-Mor

(Continued on page 21)

Largest Factory Outlet Chains

Manufacturer Outlet	No. of Units
Van Heusen Factory Store[1]	218
Hanes[2]	180
Bass Shoe Outlet[1]	156
Banister Shoe[3]	140
Little Red Shoe House (Wolverine)	128
Kuppenheimer Men's Clothiers	125
Aileen Stores	125
Kids Port USA (Health-Tex)	110
Prestige Fragrance & Cosmetics[4]	105
Old Mill (Country Miss)	94
Dan Howard's Maternities Factory	90
Manhattan Factory Stores	89

[1]Owned and operated by Phillips-Van Heusen
[2]Owned by Sara Lee; includes Hanes/L'eggs/Bali, Hanes Socks and Hanes Activewear stores.
[3]Owned and operated by U.S. Shoe Corp
[4]Associated company: Revlon
Unit count as of Jan. 1, 1990 Source: Value Retail News and DSN research.

I · N · S · I · G · H · T · S

Uncertain Climate Spurs Outlets

(Continued from page 19)
deep discount drug chain or a T.J. Maxx unit, have shown the most dramatic growth. The total grew to 738 such malls in 1989 from 115 in 1981, Dunham said, including at least 83 that opened last year.

Expect to see "a lot of growth" in factory outlets in the '90s, said Carl Steidtmann, chief economist for Management Horizons, a Price Waterhouse retail consulting division. One factor driving the growth is manufacturer dissatisfaction with retailers that divert goods to off-price chains, Steidtmann said.

"By dealing directly with the public, they cut out diverters," the economist said.

On the demand side, consumers have become accustomed to the continuous sales of the 1980s, so the bargain prices of factory outlets appeal strongly to shoppers, he said.

As more and more manufacturers get into retailing, the potential grows for conflict with their wholesale customers, Steidtmann said. That may lead to retailer demands for regulation of outlet stores, since the "proliferation of outlets is against their self interest."

With the rate of outlet mall growth running 5 percent to 10 percent above last year's rate, a number of larger, well-funded developers have entered the field, said William Haueisen, president of Sterling Research Group, St. Petersburg, Fla.

Sterling serves as consultants to the outlet mall industry and publishes *National Mall Monitor*, a newsletter that tracks outlet malls.

A prime example is Trammell Crow, which is converting an old B.F. Goodrich factory in Los Angeles into a factory outlet mall, Haueisen said.

With the department store industry in disarray, organized resistance to factory stores is declining, the consultant said. Bankruptcy silenced the Campeau-Federated Group, once one of the most vocal opponents of factory stores, Haueisen said.

Factory stores account for 3 percent to 4 percent of retail apparel sales, Haueisen estimated, although the share in some categories jumps to 7 percent to 8 percent.

With many new malls fighting for their tenancies, manufacturers can pick and choose the strongest store locations where they can best support them with home office supervision and distribution, Haueisen said.

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Fred Meyer Invades California's Heartland

(Continued from page 3)
profits and losses, Boley said.

The reorganization also established four merchandising divisions: food, including H&BA, candy and pharmacy; photo electronics and jewelry; general merchandise; and specialty, including restaurant, nutrition and other specialties as they evolve. Store operations represents a fifth division established by the reorganization.

In the process, Fred Meyer also increased its departmental categories to 12 from 11: food; prescription drugs, health and beauty aids, candy and tobacco; home fashion and sporting goods; apparel and leisure; shoes and active apparel; home improvement and automotive; garden, holiday, floral and gifts; photo, electronics and music; jewelry; and nutrition.

Fred Meyer previously established a toehold in the California market by opening a fine jewelry specialty store in the Chico Mall.

Fred Meyer breaks up the immense expanse of its store by providing three entrances: a main entrance next to apparel, and two side entrances to food and home improvement.

It also avoids an endless line of checkouts by establishing small checkout sections of five registers at the apparel and home improvement entrances and scattering 12 other registers in various departments such as jewelry, home electronics, sporting goods, deli and shoes. The main checkout section located in front of food and general merchandise consists of 20 checkouts.

In terms of product offerings, Fred Meyer appears the equal of a K mart or Wal-Mart hypermarket—and more.

The more consists of fine jewelry and home improvement, such as lumber and bath and kitchen cabinets.

With some justification, Fred Meyer likes to refer to itself as a "unique retail concept," as opposed to a discounter.

In apparel merchandise offerings and fixturing, Fred Meyer resembles a department store, carrying such brands as Ocean Pacific, Nike, Bugle Boy, Jordache and Guess. It operates under a promotional pricing policy, with weekly circulars, Boley said. Promotions include automatic price reduction.

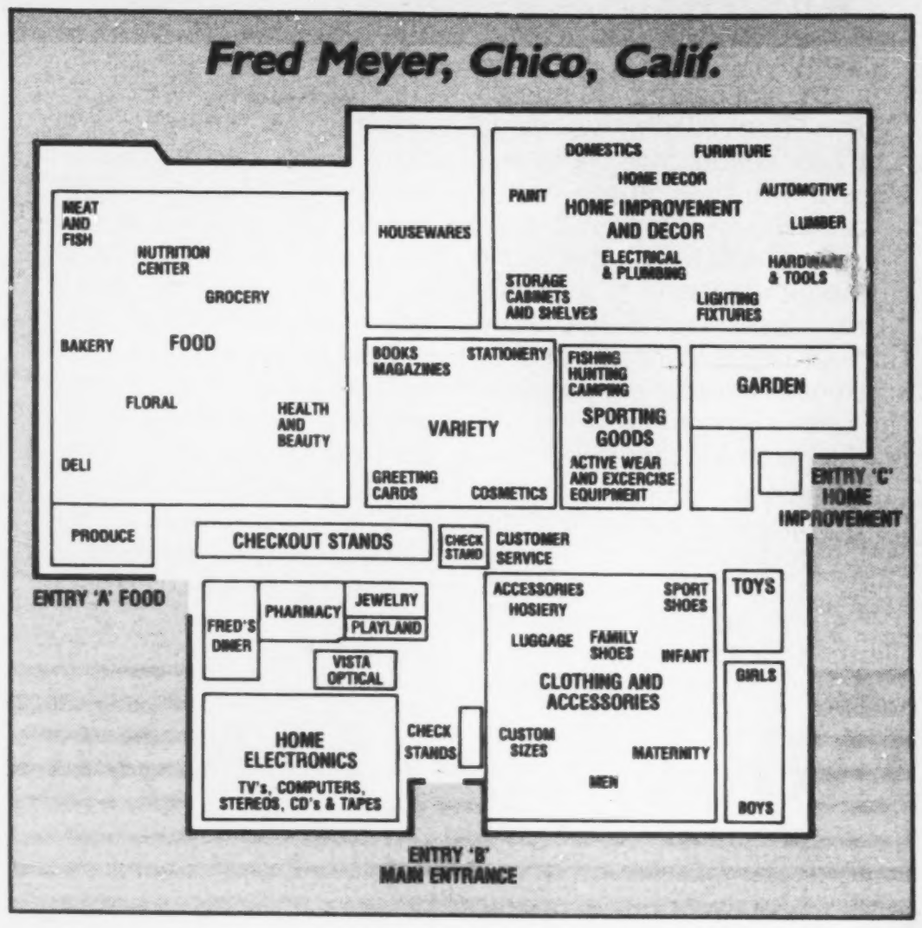
The fine jewelry department, situated in a separate shop with its own registers and entrance, resembles a Main Street jewelry emporium.

As another upscale touch, a complete floral department can handle weddings, with delivery service. The Fred Meyer bakery can bake the wedding cake, while the wine section can provide the champagne.

In food, Fred Meyer operates under an everyday low price policy, offering warehouse prices for dry groceries, Boley said.

In general merchandise, Fred Meyer resembles traditional discounters, while home improvement carries overtones of a home center.

A selection of 35 sku's of hammers, ranging from $3.99 to $29.99, illustrates Fred Meyer's philosophy of offering a wide selection of merchandise. "You'll find it at Freddy's," is its promotional tag line.



Ames' CEO Wields Ax

(Continued from page 3)
American Corp., and before that was an audit partner at the accounting firm Deloitte Haskins & Sells.

In other developments, Ames has sent telegrams to suppliers reporting that the company now has more than adequate funds to pay for new shipments of merchandise. "We're trying to do everything we can in a very difficult situation," an Ames spokesman said. Several vendors had reported that Ames financial representatives refused to take their calls shortly before the April filing for Chapter 11.

Ames was recently permitted $250 million in interim financing by a bankruptcy judge to resume the flow of merchandise into the chain's stores. However, the company has already lost much of the prime spring selling season.

The letter sent to clients said, in part, that the $250 million debtor in possession funding along with $185 million in cash on hand "gives us plenty of money to operate our business. We have the cash to pay you for new shipments of merchandise, and can pay your invoices fully and promptly."

The letter also names vendors that have agreed to resume shipments, including Mattel, Samsung, Polaroid, Lee, Bibb, and Pilgrim.

"This is a time to look ahead," the letter continued. "The Ames name may have been tarnished in the vendor community [but] we have taken steps to change that. Ames buyers are reviewing all lines with an eye toward serving our customers better than ever in the future. But, we need partners to do this."

The letter was cosigned by Stephen Pistner and president/chief operating officer George Granoff.

If vendors have been impatient, terminated employees have been more so. Approximately 20 employees of a Cleona, Pa., Zayre store closed earlier this year picketed a nearby Ames store demanding severance and vacation due them. Carrying signs saying "We Don't Want a Raincheck, We Want a Paycheck," the pickets, led by former store manager Judy Troutman, want some $40,000 in pay due them which has been held up by the Chapter 11 filing.

Parent Puts Child World on Block

(Continued from page 3)
1988. Income in the quarter fell 13.2 percent to $20.2 million. Comparable store sales during the final quarter of 1989 dipped 4.0 percent.

According to Tracy Burmeister, treasurer of Child World and an officer with CNC Holdings, Cleveland, CNC has no specific timetable set for the disposition of Child World. He declined to provide specific reasons for trying to sell the toy chain and would not comment on interested buyers.

In the meantime, Child World will continue operating with its existing management team, Burmeister said.

The three agents retained by CNC Holdings are currently revewing alternatives for Child World, said Burmeister. The next step will be to issue a confidential offering memorandum indicating potential interest in the troubled toy chain, he said. CNC Holdings holds 82 percent of Child World stock.

Child World is the second-largest toy retailer in the United States behind Toys "R" Us. However, the chain is a distant second.

Compared with Child World's earnings decline, Toys "R" Us posted a healthy earnings gain. TRU's earnings rose 19.7 percent to $321 million on sales of $4.78 billion last year, also a gain of 19.7 percent.

According to retail analysts who follow the toy industry, Child World is suffering from a lack of consistency in a number of areas including technology. But the critical reason for the chain's problems, said Jack Siebald, vice president of Salomon Brothers, is that Child World "has not been executing according to a central mission."

TRU's mission, said Siebald is straightforward: to deliver the broadest range of toys to the public at the lowest possible price. Siebald said Child World's attention has not been concentrated on that alone.

Siebald said he recently concluded a market share study of the top three toy retailers and found that TRU had a 19.8 percent market share on toys, up from 5.9 percent in 1980.

Child World holds 4.3 percent of all U.S. toy sales, up from 2.8 percent in 1984. However, market share growth has been flat since 1987. At that time, Child World's market share for toys was 4.2 percent, said Siebald.

Despite its troubles, Child World is trying to move forward.

Last Christmas, it opened a new prototype in Framingham, Mass., and announced plans to remodel at least nine more stores this year based on this new prototype plus approximately four others based on the chain's smaller, 20,000-square-foot version, said Burmeister.

In addition to the remodeling plans, Child World plans to open about 10 new stores this year; install scanning in all stores; test shelf-pricing; and expand juvenile apparel among many other changes, including improved marketing and merchandising programs.

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Vol. 29, No. 11 June 4, 1990

Zarkin Takes Over Helm at BJ's

(Continued from page 3)
which were spun off and bought by Ames—the warehouse division, BJ's and HomeClub, which became Waban, and the apparel division, T.J. Maxx, Hit or Miss and Chadwick's of Boston, which became TJX Cos.

Halpin, 39, was president of BJ's from February 1989 until early May. He joined BJ's in December 1987 as vp and gmm. John F. Levy, another longtime Zayre exec, remains Waban's president and coo.

BJ's Wholesale Club, which operates 23 clubs in the eastern United States, is the fifth-largest warehouse club chain in the nation. HomeClub is a home improvement warehouse club with 10 units Western states.

Waban's first quarter sales rose 19 percent to $546 million for the period ended April 28. HomeClub's sales rose 22 percent to $308 million, while BJ's rose 15 percent to $238 million.

Net income for the first quarter declined to $1.4 million, from $6.5 million in the year-ago period. HomeClub's operating income fell to $6.9 million from $11 million a year ago. BJ's reported an operating loss of $2.2 million compared to an operating income of $1.8 million a year ago.

Levy said that the loss at BJ's reflected lower gross margins. "BJ's lower margins were caused primarily by two factors, the absence of surcharge income which was formerly paid by non-fee paying members and larger than anticipated markdowns on seasonal merchandise, particularly apparel," said Levy. "The loss of surcharge income will continue to affect the second and third quarters. However, the fourth quarter should benefit from the annual renewal of a large portion of our membership base."

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Industry Sales Top $151B in '89

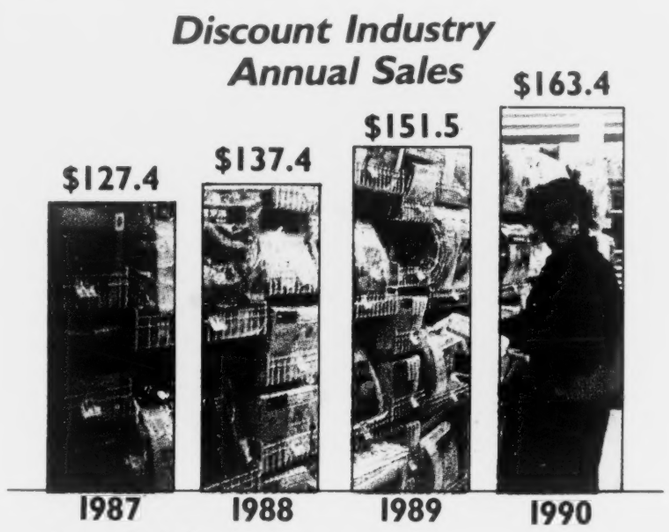
Discount Chains Expected to Exceed $163B in '90 Sales

Nationwide DSN Report

Discount industry sales crashed through the $150 billion barrier last year, climbing 10.3 percent over 1988's sales of $137.4 billion. Based on company's stated expansion plans for this year, and economists predictions, *DSN* projects that 1990 discount industry sales will grow 7.9 percent to $163.4 billion.

Industry sales hit $151.5 billion in 1989, more than $3 billion more than the $148.1 billion projection *DSN* made last year. That includes volume reported by discount department stores, hypermarkets, dollar discount chains, closeouters, catalog showrooms, warehouse clubs, off-price apparel chains and specialty "category killer" retailers in toys, sporting goods, office supplies, consumer electronics and the auto aftermarket.

The fastest growing segments were warehouse clubs, up 25.2 percent to $17.4 billion; full-line discounters, up 10.2 percent to $92.2 billion; and, specialty discounters, up 5.9 percent to $23.4 billion.



Source: DSN *research*

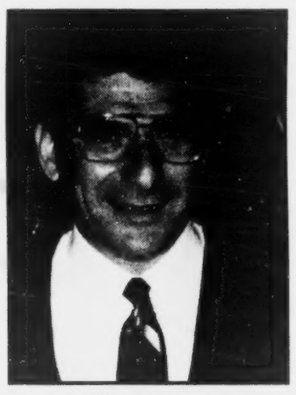
Sales volume at the discount industry's 150 largest chains increased 13.9 percent to $146 billion in 1989.

The industry's top 10 chains in 1989 sales were:

1. K mart, up 5.5 percent to $24.21 billion;
2. Wal-Mart, up 24.7 percent to $20.97 billion;
3. Target, up 18.8 percent to $7.52 billion;
4. Montgomery Ward, up 3.4 percent to $5 billion;
5. Ames, up 48.3 percent to $4.99 billion;
6. Price Club, up 20.9 percent to $4.9 billion;
7. Sam's, up 26.4 percent to $4.84 billion;
8. Toys "R" Us, up 18.3 percent to $4.31 billion;
9. Service Merchandise, up 7 percent to $3.31 billion;
10. Costco, up 48 percent to $2.94 billion.

See *DSN's* Annual Industry Report, page 45.

Lazarus Quits Jamesway After 22-Year Stint


Arlie Lazurus

SECAUCUS, N.J. — Arlie Lazarus, president and chief operating officer of Jamesway Corp., is leaving the firm effective Aug. 3. Lazarus had been with Jamesway for 22 years, and has served as president for the last 12 years.

Jamesway reported that Herbert Fisher, chairman and ceo, will temporarily assume Lazarus' positions until a permanent replacement can be found. Fisher reported the firm would look outside the company for a candidate.

A statement released by the company said Lazarus was leaving to pursue other interests. Lazarus said he "had many ideas," but would not elaborate on any specific plans.

According to Fisher, plans for new store openings and the introduction of "My House," the chain's new home furnishings venture, would continue on schedule and would

(Continued on page 108)

New Hybrid Market Slated

Huge Baltimore Store Eschews Hypermarket Name

By Arthur Markowitz

GLEN BURNIE, Md. — A new American retailing venture—which traces its roots back to a major French hypermarket operator—plans to launch a 330,000-square-foot store here that it describes as a "hybrid-market."

Didler Leconte, president and chief executive officer of New Eldis Corp., denied that the Leedmark store set to open in this Baltimore suburb next spring would be a hypermarket.

While calling Leedmark a one-stop shopping concept, he declined to delineate how it differs from a hypermarket. "Leedmark [will let consumers] shop in ways they've never been able to before. For now, we'd rather not discuss too many details of this new store concept," he said.

Trade observers speculated that New Eldis doesn't want to use 'hypermarket' to describe Leedmark because that European retailing format hasn't been very successful in the United States. Three French retailers—one in a joint venture with an American merchant—operate six hypermarkets in the United States and the bottom line success of the three Biggs, two Auchans and one Carrefour is questionable.

(Continued on page 108)

May to Raise Seed Money To Hasten Sale of Venture

By Richard C. Halverson

ST. LOUIS — To ease the birth of Venture as an independent chain, its parent plans to administer a dose of dollars.

May Department Store Co. now intends to sell a 14 percent stake in Venture in an initial public offering designed to raise at least $37 million, possibly by the end of July.

In an initial public offering filed June 15, May said that "later this year" it will spin off the rest of Venture to May stockholders pending the payment by Venture of $305 million back to the parent.

That money represents May's retained earnings in Venture and the price of its independence.

The IPO is the third step May has taken to draw its cash out of Venture to invest either in more profitable department store operations or a stock buyback.

In June 1989, May put Venture on the auction block, along with Caldor. When it was unable to find a buyer at an acceptable price, May announced it would spin off all of Venture to its stockholders—provided Venture borrowed the money to pay for its freedom.

That spin-off was supposed

(Continued on page 106)

A New Hills in Store for Future

Scarecrows, cap racks, rounders and waterfalls are among new apparel fixtures being tested at Hills stores in Lima, Ohio. The fixtures allow for cross-merchandising and have boosted sales 10 percent to 15 percent. A dramatic departure from the Canton, Mass.-based discounter's basic pipe rack apparel display, these changes will be incorporated in new 103,000-square-foot stores next year. (DSN photo)

MARKETWATCH

Bush Replaces Dentz As Ames' Exec VP

ROCKY HILL, Conn. — Ames has named Jack Bush executive vp of stores. He replaces Jeffrey Dentz who will step down from that post in September. Bush, formerly president of Rose's Stores, Henderson, N.C., was one of several top executives who left the Southeast regional chain earlier this year. He joins former Marshalls president Gerald Kanter, ex-Bradlees chief George Granoff and new cfo Peter Thorner on Ames' ceo Stephen Pistner's turnaround team.

Hills Promotes Five to Key Posts

CANTON, Mass. — Hills recently announced promotions of five executives. They are: John C. Brouillard, to executive vp, cfo from senior vp finance and administration; Eugene O'Donnell, executive vp, gmm from senior vp, gmm; Andrew Samuto, to executive vp, real estate development and support services, from senior vp, real estate development and human resources; Millard Barron, senior vp, store operations from vp, store operations; and R. Wesley McDonough, senior vp, marketing and advertising from vp, advertising.

Bradlees Drops Check Recording Policies

DORCHESTER, Mass. — Two Bradlees stores here dropped check recording policies which labeled customers paying with a check by sex and race. The 129-store Bradlees claimed the policy was initiated to help authorities identify bad check writers. After the story appeared in a local paper earlier this month, and public pressure mounted, the policy was promptly dropped.

Ward Inks Another Celeb Endorsement

CHICAGO — Montgomery Ward has added TV personality Connie Selleca to its list of celebrity-inspired clothing lines. Earlier this year, Ward signed deals with model Elle MacPherson and tennis star Chris Evert to produce exclusive apparel lines. The Connie Selleca career apparel line will include unconstructed related separates as well as slacks, blouses, sweaters and jackets. The line will eventually include fine jewelry and intimate apparel.

Szydlik Off Trak; Joins Northern Auto

PHOENIX, Ariz. — Northern Automotive, the nation's third-largest aftermarket group, has hired Edward E. Szydlik away from Trak Auto to become its new president and coo. Formerly president of Trak, Szydlik replaces John Lacey, who left suddenly this spring "to pursue other interests."

Brown Joins Nationwise As President

COLUMBUS, Ohio — Nationwise Auto promoted Kenton S. Brown to president and coo. Brown joined Nationwise in 1980 as director of distribution. Since 1984, he has served as executive vp and coo, said Saul Levy, chairman and ceo. Including its 1988 acquisition of the 70-store Guarantee Auto chain based in Indianapolis, Nationwise operates 280 stores in 33 Midwestern and Southeastern states. Sales last year totaled an estimated $270 million.

The Good Guys Open 23rd in Fresno

SAN FRANCISCO — The Good Guys opened its 23rd store, in Fresno, Calif., on June 1. The 15,000-square-foot location features The Good Guys' upscale consumer electronics selection. The Good Guys will open its first stores in Los Angeles later this summer.

Yellow Front to Sell 30 Store Leases

NEW YORK — Yellow Front Stores, now in liquidation, got bankruptcy court approval to sell leases on 30 of its remaining 44 stores for $6.3 million. Family Bargain Centers, Chula Vista, Calif., is acquiring 16 units for $3.3 million, while National Automotive, Phoenix, Ariz., will buy the remaining 14 stores for $3 million. The Phoenix-based chain, which once counted 234 stores, all in the West, is holding inventory liquidation sales in some units.

Action Auto Files Chapter 11

FLINT, Mich. — Action Auto has filed Chapter 11 bankruptcy and hired PaineWebber to find a buyer for the troubled chain. Action, which operates solely in Michigan, has closed 12 of 68 stores and plans to close six more.

TJX Goes With a Winner

Canadian Off-Pricer to Boost Family Apparel Concept

FRAMINGHAM, Mass. — TJX Cos. has acquired Winners Apparel Ltd., a five-store off-price family apparel retailer, based in Toronto, Canada. This is the firm's first venture into that country.

Bernard Cammarata, president and ceo of TJX, said the apparel retailer would keep the Winners name for the newly acquired stores. Also, David Margolis, president and general manager of Winners, will remain in his post.

With the exception of jewelry, shoes and domestics, the apparel mix at the Canadian stores is similar to that of T.J. Maxx, TJX Cos.' off-price family apparel chain. Minor changes in signage and graphics are planned at Winners, but "no major capital remodeling" is in the works.

The company did not disclose the cost of the acquisition, but a spokesman reported it was "all for cash."

"While Winners today is a relatively small company, it provides us with a unique opportunity to develop the off-price family apparel concept in Canada," Cammarata said. "The Canadian consumer is familiar with, and receptive to, off-price retailing, but to date the potential of offering brand name merchandise for the entire family at substantial savings has not been capitalized upon. We believe that this untapped market should contribute to the success of our company over the long-term."

Cammarata said TJX would continue to look to Canada for more opportunities but that it would be "a slow growth" in that country. "We expect a slow, steady growth in the Canadian market, consistent with the history of T.J. Maxx," he said.

TJX has 367 T.J. Maxx stores, 577 Hit or Miss off-price women's apparel stores and owns Chadwick's of Boston, an off-price apparel catalog.

Phar-Mor Takes Deep-Discount Concept to West

YOUNGSTOWN, Ohio — Phar-Mor, the nation's largest deep discount drug chain, is making a major expansion thrust westward.

Next month, it plans to start construction on its first California unit and anticipates opening it late next spring.

Phar-Mor will co-anchor with K mart the Santa Ana Promenade Mall in Santa Ana, in Southern California's Orange County.

The Santa Ana unit will run 64,938 square feet, on the upper end of Phar-Mor's prototype range of 55,000 square feet to 65,000 square feet.

Real estate sources say Phar-Mor is looking for a total of eight to 10 stores in the Southern California market. A company spokeswoman confirmed that Phar-Mor is negotiating for additional sites but declined to comment on the number.

In Las Vegas, Phar-Mor opened this May its first Ne-

(Continued on page 108)

Retailers Show Interest In Using Store as Media

By Mary Ellen Kelly

OSSINING, N.Y. — K mart, Meijer, Bradlees and Long's Drugs are among retailers exhibiting some level of involvement or interest in a "store as media" profit center.

In-store testing of these advertising systems will be in place this year and as many as four or five chains are likely to rollout the store as media program during 1991, according to speakers and attendees of the SPAR (Sales Promotion Analysis and Reporting)/Burgoyne promotion conference held here last month.

The conference, sponsored by marketing and information service companies, SPAR/Burgoyne, brought together speakers

(Continued on page 108)

Robert Sayre

Patrick Kelly

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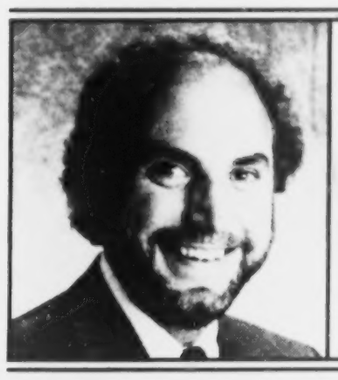
EDITORIAL

Discounting Will Survive Doomsayers

Predictions. Predictions. And more predictions. Since mid-1989, it seems like everyone wants to imitate John Naisbitt of Megatrends fame or futurist Dr. Marvin Cetron, who spoke at the recent IMRA convention.

Consultants and economists, particularly, want to show off their soothsaying skills by predicting the state of affairs in the 1990s, or better yet in the year 2000. There's a mystique about that year that makes everyone want to polish the crystal ball or dust off the old Ouija board. Some of these neo-futurists are entertaining, some are informative, but few are actionable.



TONY LISANTI
Editor

The latest prognostication, entitled *Retailing 2000*, comes from Management Horizons, a division of Price Waterhouse (see story, page 7). *Retailing 2000* is a slick, glossy report complete with a dash of hyperbole and a sprinkling of sensationalism. Consider these conclusions outlined in the report:

- Contraction in the retailing industry.
- Demise of the discount department store.
- Death of the mass market.
- Disappearance of middle management.

Sounds dismal, but fortunately, it's not quite as cut and dry as Management Horizon's portrays it.

First of all, for every retailer that closes its doors, another one or two or more debut. That's the life cycle in any industry. Consider the fact that five of the top 10 discounters in 1980 are no longer around, but neither were many of today's growth chains in the club, office supply, party goods, and hypermarket and other viable segments of discounting.

The discount department store will always be around—and will remain a dominant form of retailing. It will exist because it will continue to satisfy the demand for one-stop shopping as well as the demand for price, selection and value. This segment, which represents more than $97 billion in sales of the retail pie (see page 67), will not only grow but retailers will become more efficient, smarter and profitable.

Regardless of how fragmented the consumer becomes, there will always be a need to reach a broad base of the population. In theory, one-to-one marketing sounds great and it may be adopted by many chains, particularly the smaller ones, but it will not eliminate the mass market.

I could go on and on about the report, which is entertaining and thought-provoking. And I guess everyone has an opinion—that's the beauty of being a futurist. Que sera, sera!

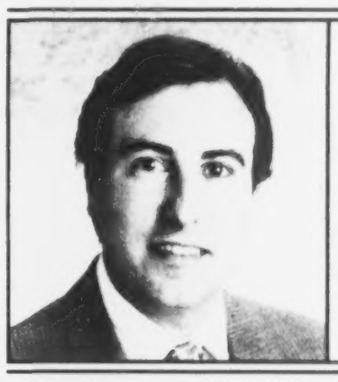
BUYERS & SELLERS

Forecasters Misinterpret Discounting's Stats

Statistics don't lie. Just the people who interpret them. It's amazing how different people can look at the same numbers and arrive at completely different conclusions.

For example, the New York Mets traded left-handed hitting center fielder Lenny Dykstra because his batting average was so much lower against left-handed pitching than against righthanders. They felt he would never be an everyday player for them. Now, roaming center field for the Philadelphia Phillies, and batting against both righties and lefties, Dykstra is leading the league in hitting and flirting with the lofty .400 plateau. The Mets never gave him the opportunity to prove he could hit lefties. The team made its decision based upon wrong, or insufficient, statistics.

The same holds true for people who look at the bankruptcies and closures of a dozen or so discount chains and declare the "Death of the Discount Store."



DON LONGO
Exec Editor

If their narrow definition of a discount store is a '70s type of retailer operating out of an outmoded box of a building selling cheap, imported apparel and cherry-picked selections of name brand hard goods, they're probably right. But, what if you take a broader view of discounting to mean any retailer that strives to serve the wide spectrum of American consumers (everybody but the very upscale) with value-priced merchandise (less than manufacturer's list) and incorporates low-cost selling concepts (efficient distribution and customer service)? Those are the precepts that will drive the successful discounters of the '90s.

So before you sound the death knell for discount stores, chew on these statistics:

- Full-line discounting sales (i.e., volume at multidepartment discounters like discount department stores, hypermarkets, dollar discount stores, and closeout chains) grew by 10.2 percent last year.
- Warehouse clubs, the most efficient version of discounting yet, posted a sales gain of 25.2 percent.
- Specialty mass retailers (category killers in toys, consumer electronics, office supply, and the auto aftermarket) were up 10.3 percent.

Combined, all channels of discounting (full-liners, catalog showrooms, warehouse clubs, off-price apparel chains and specialty chains) outpaced most other sectors of retailing with a 10.3 percent sales gain in 1989. While that sales pace should slow in 1990 (to a still respectable 7.9 percent), discounting has a bright future in the '90s for those who successfully execute its key concepts.

WASHINGTON REPORT

Congress Weighs Complex Labor Guidelines

Like other "people businesses," discount retailers often encounter problems maneuvering through the thicket of government rules and regulations concerning employment practices.

But if you think the sledding is tough now, just wait. This current Congress appears committed to carving out a whole new set of complex guidelines for the labor market. And in many respects the Bush administration is moving in that same direction.

KEN RANKIN

For example, the Americans with Disabilities Act—which has already passed Congress with the support of the president—will create broad new restrictions against job discrimination based on a worker's handicap or disability.

Other major labor-related bills under consideration on Capitol Hill would create entire new areas of liability for employers. The pending Civil Rights Act of 1990, for example, would reverse a number of recent U.S. Supreme Court rulings and, in the process, shift the burden of proof to employers by requiring them to demonstrate that their employment practices are not discriminatory.

Older workers, meanwhile, would be afforded extra protection in the workplace under separate legislation geared to overturn court decisions which allow employers to offer certain "fringe benefits" to younger workers but not their older counterparts.

These are just a few examples of the growing interest here in Washington in policing recruiting and employment practices.

If some congressional leaders have their way, the job market could soon become a minefield for labor-intensive industries like discounting.

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The Most Comprehensive Report On All Segments Of Discount Retailing

Industry Sales Hit $151B in '89

During a year in which bankruptcies and business failures hogged the spotlight, discount retailing in the United States surged ahead of most other types of retailing. Powered by the tremendous growth of warehouse clubs, specialty mass retailers, and the Big Three discount department store chains, discount industry sales hit $151.5 billion in 1989, a 10.3 percent increase over 1988's sales.

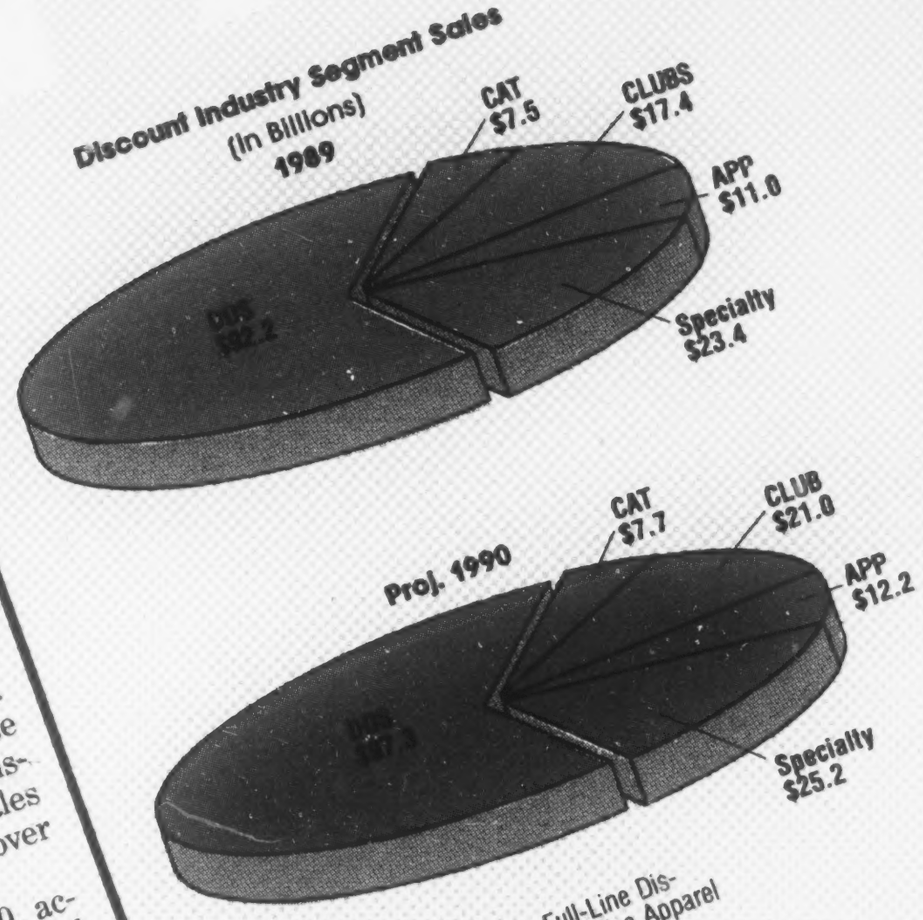
Discount retailing sales will climb to $163.4 billion in 1990, according to *DSN* projections based upon chain expansion plans and economists reports.

K mart retained its title as King of the Discounters. With $24.2 billion in sales from its U.S. K mart discount stores last year, K mart generated more sales than was rung up by the commonly referred to largest retailer—Sears—in its U.S. multi-department stores. In terms of sales through their main nameplates, K mart, not Sears, is the largest retailer in the nation.

However, the Troy, Mich.-based discounter may not get to rest on its laurels for long. Wal-Mart, with just under $21 billion in sales from its U.S. discount department store arm, is closing fast. The Bentonville, Ark.-based chain, which received *DSN*'s designation as Retailer of the Decade last year, grew at an almost unbelievable rate of 24.7 percent.

Target was no slouch, either. The Minneapolis-based division of Dayton Hudson achieved an 18.8 percent sales gain to $7.5 billion in 1989, and with about 30 more stores planned this year, should maintain its heady sales pace.

In depth reports on all segments of the discount retail industry follow in this special section, *DSN*'s "Annual State-of-the-Industry Report: Part I, Chain Analysis."



CAT: Catalog Showrooms **DDS:** Full-Line Discount Department Stores **APP:** Off-Price Apparel Chains **CLUB:** Membership Warehouse Clubs **Specialty Discounters:** Toy chains, CE chains, Sporting Goods chains, Automotive aftermarket chains, Office Supply megastores, and others.

Source: DSN research

Despite Industry Sales Gain Many Chains Run Aground

The total discount industry sales pie grew by more than 10 percent last year, far outpacing the sales growth of most other retail sectors including supermarkets, drug stores and full-price department stores. However, despite that growth (fueled mainly by warehouse clubs, specialty mass merchants and large national discount department store chains), nearly 20 discount chains liquidated; had filed for Chapter 11 protection from creditors or sought new owners due to financial strains.

With the largest Chapter 11 bankruptcy filing in discounting history, Ames topped the list of troubled chains over the past year and a half.

Last month, Ames announced it will close by the end of summer 221 more stores, 37 Ames units and 184 former Zayre stores. The newest round of closings brings to 299 the number of stores Ames has closed since it bought the money-losing Zayre chain of 388 stores in October 1988 for about $800 million in cash and stock.

Ames thus will have closed more than the number of stores that Bradlees operates, 133, and Caldor, 118, with a third of Jamesway (120 stores) thrown in for good measure.

Stephen L. Pistner, the retailing consultant brought in to rescue Ames from the gamble it lost with Zayre, said the latest wave of closings will be the first step toward emerging from Chapter 11.

Reported $47.5 Million Loss

The 221 stores accounted for $47.5 million of the $228 million loss Ames reported last year.

Last September, Ames sold its G.C. Murphy variety store chain to the corporate parent of McCrory Stores. It used the $80 million proceeds to pay down debt from its ill-fated Zayre acquisition.

Ames also scuttled last December Office Shop Warehouse, the four-unit office products chain it founded.

This April, Jaffe's, a seven-store office products chain in Florida, became another victim of the shakeout the category is undergoing. Abitibi-Price, its Toronto-based parent company, closed all stores, rather than sell Jaffe as going concern.

ALCO, headquartered in Abilene, Kan., which filed Chapter 11 bankruptcy in May 1989, still is operating 100 stores under the protection of bankruptcy laws.

After a 14-month struggle, Heck's emerged from bankruptcy last September and made an ill-fated shift to a membership club concept. Changing it name to Take 10, Heck's offered a 10 percent discount to club members who paid $5 a year dues.

Take 10 lasted six months before worsening losses prompted Heck's to get out of retailing by selling its stores to Jordache Enterprises. Jordache changed the store name to L.A. Joe and operates 60 units that offer primarily closeout apparel, including its own Jordache and L.A. Joe labels.

The cash consideration was precisely $1. In addition, Jordache assumed approximately $80 million in debts, including $20 million in real estate lease obligations.

Toy King, Orlando, Fla., also ceased operations after emerging from Chapter 11. Once operating 40 units, it emerged with 20 stores left. And it sold those this spring to Value Merchants (formerly Wisconsin Toys) mostly for conversion to Toy Liquidator closeout toy stores.

Two other Chapter 11 discounters sold themselves with the blessings of bankruptcy judges.

Johnstown, Pa.-Glosser Bros., sold its Gee Bee discount store and Dollar Bargain closeout chains to Schottenstein Stores for about $39.6 million in assumed bank and trade debt.

And Maxway, Sanford, N.C., sold its assets to Variety Wholesalers for a consideration of $4.3 million.

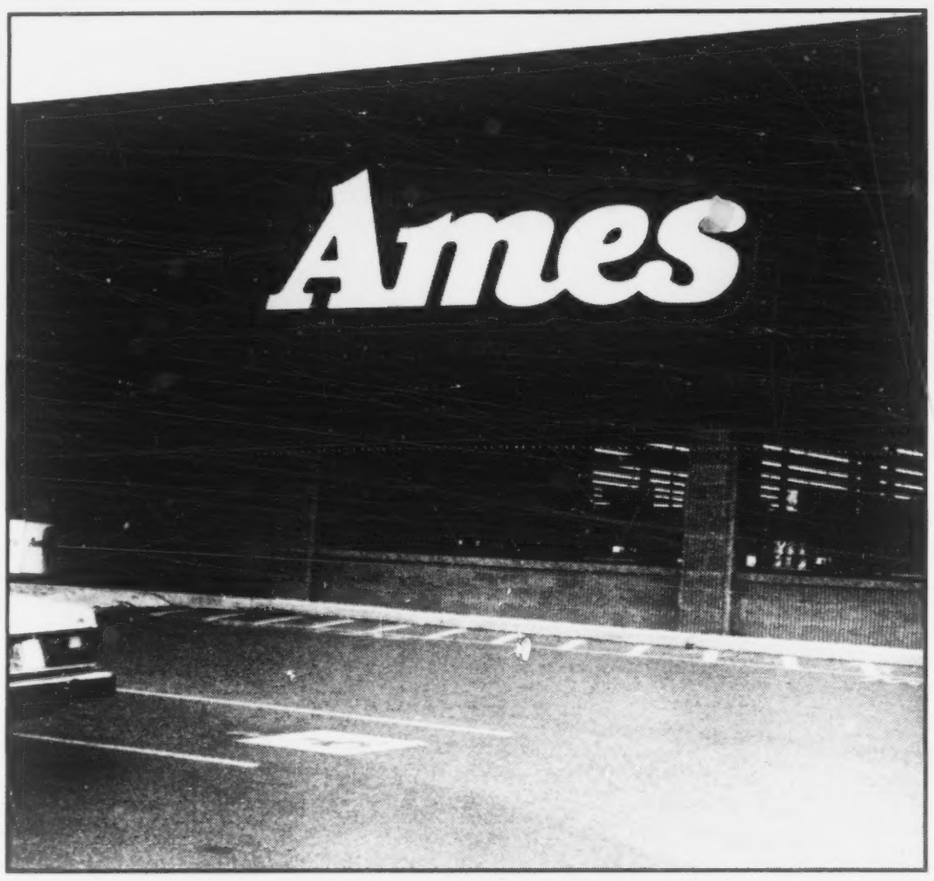
Three other discounters took their place on the bankruptcy casualty lists.

Yellow Front, Phoenix, Ariz., now is liquidating itself after filing Chapter 11 in February. It closed 89 of 133 stores it was operating and failed at a May auction to find a buyer for the 44 remaining stores as an operating chain. Last month, the chain received bankruptcy court permission to sell 30 of those store leases for $6.3 million.

Yellow Front once owned 234 stores in the Southwest and Northwest following its 1988 acquisition of Washington-based Bonanza stores.

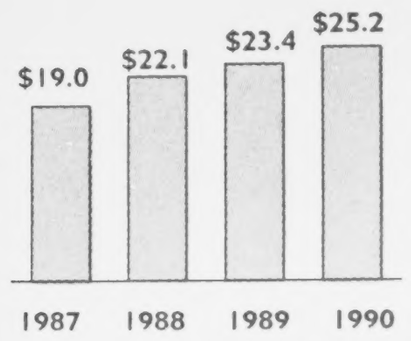
Tons of Toys (which changed the name of its stores to Toys 'N Toys 'N More), Wareham, Mass., declared Chapter 11 shortly after Christmas and has closed seven of its 28 stores. But Karl's Toys, Los Angeles, has agreed to acquire the 21-store chain in a $3.5 million deal, and the bankruptcy courts are expected to approve the deal shortly.

(Continued on page 54)



***Ames, which choked on its acquisition of Zayre Stores,** is trying to emerge from Chapter 11 by closing additional stores.* (DSN photo)

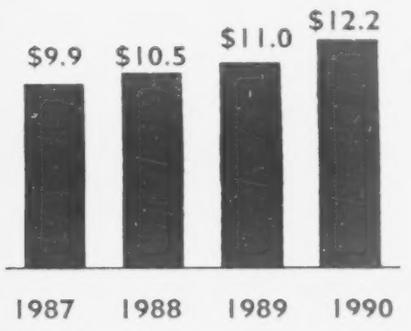
Specialty Retailers



Specialty mass retailers (including toy, sport, office supply, consumer electronics and auto parts chains) achieved a 5.9 percent gain in '89 to $23.4 billion. Office supply megastores more than doubled their 1987 sales, while auto and toy chains experienced double-digit sales growth in 1989. Specialty mass retailers, as a group, will pick up their sales pace in 1990, hitting $25.2 billion in sales.

See CE Chains, page 77; Toy Chains, page 79; Sporting Goods Chains, page 81; Auto Parts Chains, page 83; and Office Supply Megastores, page 85.

Apparel Off-Pricers



Off-price apparel chains grew 4.8 percent to $11 billion in sales in 1989, but are projected to grow faster this year, reaching $12.2 billion on a 10.9 percent sales gain.

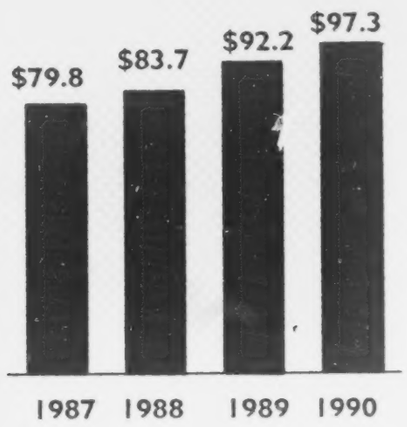
See Off-Price Apparel Chains, page 73.

Warehouse Clubs

Membership warehouse clubs turned in the most impressive sales results last year. Clubs grew 21 percent on a base of $13.9 billion to reach $17.4 billion in sales in 1989. *DSN* projects warehouse clubs to achieve $21 billion in sales in 1990, a 20.7 percent gain.

See Membership Warehouse Clubs, page 75.

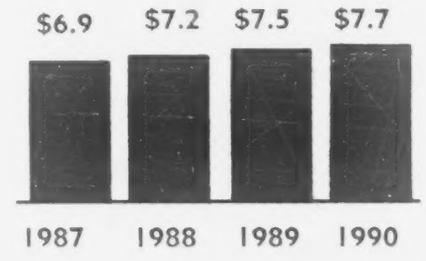
Full-Line Discount Department Stores



Full-line discount store sales (including hypermarkets, dollar discounters and closeouters) rose 10.2 percent in 1989 to $92.2 billion, and are projected to hit $97.3 billion in '90. Approximately 40 percent of the chain's listed on *DSN's* Top 150 list are full-line discounters.

See Full-line Discount Department Stores, page 67; Dollar Discount Chains and Hypermarkets, pp. 87, 93, 97.

Catalog Showrooms



Catalog showrooms continued their steady but unspectacular pace: up 4.2 percent in 1989 to $7.5 billion; projected 2.7 percent gain in 1990 to $7.7 billion.

See Catalog Showroom Chains, page 71.

Annual Report Methodology

DSN's "Annual Report on the Discount Industry: Part I" reports sales, operating profits and store count information on the top 150 discount industry chains in the United States. The Top 150 list includes discount department stores, warehouse clubs, catalog showrooms, off-price apparel chains, hypermarkets, dollar discount department stores, closeout store chains, and specialty mass discounters in toys, sporting goods, office supplies, consumer electronics and the automotive aftermarket. The report also contains data on associated mass merchants not included on *DSN*'s Top 150 such as variety store chains, deep discount drug store chains and Sears.

The data was compiled from company annual reports, filings with the Securities and Exchange Commission and phone calls to more than 200 of the nation's leading chains. In instances where estimates were made, *DSN* relied upon its knowledge of the company, previous year's performance and other sources. This year's report contains some discrepancies from last year's due to the fact that several companies chose to update the figures they reported last year. *DSN* published only the updated figures.

This most complete and accurate source of information about the total discount store industry will be followed next issue with "Part II: Merchandising and Productivity Analysis," *DSN*'s review of discount department store volume, turns and margins in 14 major product categories.

Number and Size of M & A's Slacken in 1989

By Richard C. Halverson

Chaos in the United States junk bond market, the Campeau bankruptcy and paltry sums that retail chains fetch have dampened the pace of leveraged buyouts and acquisitions in discounting.

The number of acquisitions since January 1989 fell to 12 from 19 during the previous 18 months, while LBOs slipped to four from six and the number of chains going public dipped to three from four

Moreover, the deals tended to be much smaller, both in store count and dollar value. None approached the scope of 1988 deals: Ames' ill-fated Zayre acquisition for about $800 million or the $1.2 billion LBO of Bradlee's parent, Stop & Shop, to say nothing of the $3.8 billion LBO of Montgomery Ward from Mobil Oil.

The deals that failed to come off are almost as newsworthy as the ones that did:

- Isosceles PLC, the new British owner of Herman's, gave up on finding a buyer for the sporting goods chain;
- Oshman's ended a search for a buyer last December;
- Merrill Lynch Capital signed a letter of intent back in February to purchase the Whitlock automotive group from Boots Co., Whitlock's new British owner, but has yet to close on the deal; and,
- May Co.'s planned spin-off of Venture almost didn't come off as the discounter had trouble raising the $305 million it needed to buy its freedom.

Nonetheless, deep pockets, such as K mart's and those of Investcorp, the Arab world holding company that just paid $1.5 billion to acquire Saks Fifth Avenue, as well as no-cash deals for distressed discounters have kept the consolidation pot simmering.

K mart had no trouble last October purchasing the 41-unit Pace Membership Warehouse chain for $322 million.

And, K mart bought out the remaining 49 percent interest in Makro a month later for an undisclosed sum. In March 1988, K mart had acquired a 51 percent interest from the Dutch holding company that founded Makro.

Makro will disappear this summer as a wholesale club name when K mart finishes merging Makro's nine units into the 43-unit Pace chain.

This spring, K mart paid $65 million to acquire the eight sporting goods superstores of Sports Authority, Fort Lauderdale, Fla.

By next month, K mart will turn its two Sports Giant warehouse test clubs into Sports Authority units.

And last September, the $40 million that Investcorp paid to acquire a 65 percent in Sports Unlimited, Tampa, then an 11-unit chain of sporting goods superstores, put no strain on international finance markets. The founding partners of Investcorp, based in Bahrain, London and New York, had no trouble coming up with a billion and a half dollars for Saks back in May.

Even the largest deal of the year, the $552 million leveraged buyout of Caldor from May, proved disappointing.

May had hoped to raise a total of $1.5 billion by selling both Caldor and Venture. It was unable to find a buyer for Venture at an acceptable price, however, and got only $500 million cash for Caldor, plus the assumption of $52 million in debt.

May also had to leave behind a 20 percent equity interest in Caldor, rather than pull all of its capital out for investment in more profitable department store operations. By giving sellers paper, May, in effect, made the down payment in order to swing the deal with Odyssey L.P., a New York investment group.

Unable to sell Venture at the right price, May devised a scheme last year to spin it off to May stockholders, originally set for this spring.

But it set a price for Venture to gain its freedom. Venture had to raise an estimated $305 million and pay it to May to remit retained earnings.

When Venture was unable to raise that amount, May revised its spin-off plans. First, it intended to sell to the public a 14 percent stake, or 2.3 million shares, in Venture and spin off the balance to May shareholders. Then, late last month, Venture announced it is raising the $305 million to gain its independence from May Co. by a combination of store sales and leasebacks, mortgages and drawing on lines of credit.

Pressures from dissident stockholders are forcing another pending sale, that of the 1,300-unit Ben Franklin chain. Last month its parent, National Intergroup, put Ben Franklin on the block in a bid to fend off dissidents seeking to capture control and liquidate the metals, oil, drugs and retailing concern.

The second largest LBO last year was Dayton Hudson's sale of its Lechmere chain to Berkshire Partners, a Boston investment group.

Lechmere's 29 stores fetched only book value of $234 million, much less than early estimates of $350 million.

On a smaller scale, Wal-Mart concluded a two-year search for a buyer of its dot deep discount drug chain, when management acquired its 14 stores in an LBO. Wal-Mart declined to release terms of the LBO.

In another small acquisition, Value Merchants (formerly Wisconsin Toys) bought 59-store Everything's a $1.00, a one-price closeout chain based in Virginia Beach, Va.

Financial woes at a number of chains permitted acquisitions at fire sale prices with no cash outlays, and without having to tap the financial markets.

Newmark & Lewis snapped up the failing Brick Church chain for a bargain $7.8 million. Once operating 40 stores, Brick Church was operating 17 units at the end.

Jordache Enterprises got 60 stores from Heck's, which emerged from Chapter 11 bankruptcy last September after a 16-month struggle, by assuming $80 million in debts and lease obligations.

Heck's was only too happy to have someone take the stores off its hands and halt enormous losses that threatened to wipe out it out. Heck's comes out with a profitable Steel City automotives distributor, a debt-free balance sheet and a $100 million tax-loss carryforward that promotes future acquisitions.

The venerable Heck's name is set to change to Hallwood Industries. A non-competitive agreement with Jordache to stay out of apparel sales makes it unlikely that Heck's, will get back into retailing.

Jordache acquired an instant chain of closeout apparel stores that it reopened under the name L.A. Joe.

The bankruptcy of Glosser Bros., Johnstown, Pa., enabled Schottenstein Stores to acquire a chain of 17 Gee Bee discount stores and another of 18 Dollar Bargain closeout units this spring in another debt-assumption deal. Schottenstein bought the chain through the bankruptcy courts by paying creditors 55 cents on the dollar for $72 million in debts, or $39.6 million.

Schottenstein is keeping the Gee Bee name and discount store format, rather than convert them to its Value City closeout format.

In another fire sale, Variety Wholesalers purchased the 35 remaining Maxway stores this April from a bankruptcy court for $4.3 million.

In a previous variety store sale, Ames sold its 155-store G.C. Murphy chain to the parent of McCrory Stores for $80 million in order to pay down debt from its Zayre acquisition.

The office supply category accounted for one small acquisition and one of two initial public offerings. In April, Office Max bought Office World and merged its seven Chicago-area stores into its 13 stores.

Office Products of America went public last fall before opening a single store in a $7.8 million IPO. Frank Denny, founder of K mart's Builders Square, operates the stores under the name Office Stop.

In a similar IPO to launch a chain, Robert J. McNulty raised $7.8 million to start Auto Giant, a Southern California automotives warehouse club. It has opened one unit and plans to open another this summer. McNulty also filed an IPO registration this May to raise a similar amount to start Auto Depot, another auto warehouse club to begin operations on New York's Long Island.

In the first six months of 1989: Penn Traffic bought the 98 Big Bear stores; Kroger sold its 13 Price Savers in a management LBO; and, Zayre Corp. spun off its BJ's Wholesale Club and HomeClub chains as a new entity, Waban Inc., and changed its name to TJX Cos.

Chain Restructurings Since January 1989

Acquisitions

Acquiring Company	Acquired Chain	Price (In Millions)	Number of Stores	Date
Penn Traffic[1]	Big Bear	$350	282	March 1989
McCrory Stores	G.C. Murphy	80	155[2]	September 1989
Investcorp	Sports Unlimited	40	11	September 1989
K mart	Pace Makro Sports Authority	322 NA 65	41 7 8	October 1989 November 1989 March 1990
Value Merchants[3]	Everything's a $1.00	NA	59	July 1989
Newmark & Lewis	Brick Church	7.8	17	March 1990
Jordache Enterprises	Heck's	80	60	March 1990
Schottenstein Stores	Gee Bees and Dollar Bargain chains[4]	39.6	35	March 1990
Variety Wholesalers	Maxway	4.3	35	April 1990
OfficeMax	Office World	NA	7	April 1990
Value Merchants	Toy King	NA	20	May 1990

[1]Penn Traffic's acquisition of Big Bear included 31 Harts department stores, four Big Bear Plus hypermarkets and 63 Big Bear supermarkets.
[2]Includes 130 G.C. Murphy and 25 Bargain World variety stores.
[3]Formerly Wisconsin Toys.
[4]17 Gee Bee and 18 Dollar Bargain stores. NA—not available.

Leveraged Buyouts, Initial Public Offerings, Spin-Offs

Chain	Action	Price (In Millions)	Number of Stores	Date
Staples	Went Public	$62	23	April 1989
Price Savers	Management LBO	NA	13	May 1989
Zayre Corp[1]	Spun off BJ's Wholesale and HomeClub to stockholders as Waban, Inc.	508	71	June 1989
Caldor	Investor-led LBO	552	118	August 1989
Lechmere	Investor LBO	234	29	July 1989
Office 3top	Went Public	7.8	0	July 1989
Auto Giant	Went Public	7.8	0	July 1989
dot Drug	Management LBO	NA	14	February 1990

[1]Changed name to TJX Cos. Waban then included 22 Bj's Wholesale Club units and 49 HomeClub home centers.
NA—not available. *Source: DSN research*

Trouble in Discounting

(Continued from page 47)

Tons of Toys would survive as a public company, so Karl's, in effect, would go public if the courts approve.

In the apparel field, Casual Male Corp. declared Chapter 11 this April, placing 308 stores under the protection of the courts. Among the company's chains are Big & Tall, 208 stores, and Young Men's sportswear, 33 stores.

Casual Male has announced no store closings at presstime.

In the most notorious liquidation of the year, consumer electronics pioneer Crazy Eddie folded last October amidst charges that its founder, Eddie Antar, defrauded stockholders and the company of at least $60 million.

Crazy Eddie once operated 43 stores and was down to 17 when the end came.

The Federated Group, another CE chain that once boasted 74 stores, is virtually extinct after its parent, Atari, sold most of the units for conversion to Silo stores, although it continues to operate a handful of Federated stores in the Dallas market.

TSS (formerly TSS-Seedman's) completed the liquidation last year of its 11 discount department stores and the 15 units in its Finders Keepers off-price apparel chain.

The Finders Keepers stores went to the Strawberry's apparel chain for conversion to its format and name.

Leases for the TSS stores, located on New York's Long Island, went to a number of discounters, including K mart and Caldor.

In a bid to restore profitability, S.E. Nichols gave up on full-line discounting this spring and began converting to a deep discount drug format 30 of its 34 remaining stores.

But problems in servicing its debt cast doubts on Nichols' ability not only to convert 19 of its stores, called Pharmhouse, but also to avoid Chapter 11 bankruptcy.

Nichols said it might have to declare Chapter 11 if it fails to restructure its debt. And completing the conversion of the final 11 stores hinges on obtaining more funds, Nichols said. It plans to close four more stores, on top of 11 last year.

Child World also joins the list of troubled chains. Last month, its parent, CNC Holdings retained not one but three security firms to find a buyer for its 82 percent stake. Child World, the nation's second largest toy chain, with 175 stores, saw net earnings drop by more than 50 percent to $5.8 million on sales of $830.3 million. Comparable store sales slumped 8.6 percent.

Trouble in discounting also affects the automotives aftermarket. Action Auto, Flint, Mich., has filed for Chapter 11 protection, closed 18 of 68 stores and put itself on the block.

As reported in last year's annual State-of-the-Industry Report, Mars announced in June 1989 that it would liquidate its remaining eight stores, down from a 1987 high of 22. The liquidation took place as scheduled in July.

And a bankruptcy trustee ordered the liquidation of Robert J. McNulty's All American SportsClub in March 1989. SportsClub, a sporting goods warehouse club, operated eight units at its peak.

The Top 150: A to Z

Chain	1989 Rank	Chain	1989 Rank
Academy	124	Lionel Leisure	54
ALCO	80	Loehmann's	56
Alexander's	51	Luskin's	128
American Fare	132	L. Luria & Son	82
American TV	74	Makro	71
Ames	5	Marshalls	16
Ann & Hope	66	Meijer	11
Apex	148	Modell's Sporting Goods	135
Arvey Paper	122	Montgomery Ward	4
Audio-Video Affiliates	106	Nationwise	72
AutoZone	47	NBO Stores	121
Bargain Time	99	Newmark & Lewis	76
Best Buy	48	Northern Automotive	33
Best Products	15	Odd Job Trading	140
Big Bear Plus	136	Office Club	113
Bigg's	85	Office Depot	64
Bill's Dollar Stores	77	One Price Clothing	137
BizMart	109	Oshman's	62
Bi-Mart	63	OW Office Warehouse	126
BJ's Wholesale Club	26	Pace	17
Bradlees	18	Pamida	43
Brendles	69	Pay Less NW	21
Brick Church	133	Pep Boys	31
Building #19	127	Pic 'N' Save	50
Burlington Coat	32	Prange Way	92
Caldor	20	Price Club	6
Carrefour	142	Price Savers	39
Chaffin	110	Quality Stores	93
Champs Sports	116	Rich's	78
Chief Auto Parts	57	Rose's	23
Child World	30	Ross Stores	36
Circuit City	13	Sam's	7
Circus World Toy Stores	96	Service Merchandise	9
Click	149	ShopKo	22
Clothestime	91	Silo	28
Clover	68	Sky City	117
Club Wholesale	139	Smitty's	35
Consolidated Stores	45	Sportmart	90
Consumers Distributing	61	Sports Authority	143
Costco	10	Sports Unlimited	146
Dahlkemper's	134	Staples	94
David Weis	111	Stein Mart	103
Dollar General	44	Stuarts	105
Dress Barn	75	Super City	79
Evans	130	Swallen's	101
Family Dollar	34	Syms	65
Fedco	38	S&K Famous Brands	144
50-Off Stores	147	S.E. Nichols	84
Filene's Basement	59	Target	3
Fishers Big Wheel	52	The Andersons	108
Fred Meyer	12	The Fair Company	131
Fred Schmid	119	The Good Guys	89
Fretter	81	The Present Co.	115
Gee Bee	100	The Wholesale Club	46
Goody's Family Clothing	86	The Wiz	88
Grand Auto	87	Thrifty Corp	41
Grandpa Pidgeon's	112	Tops Appliances	60
G.I. Joe's	114	Toys "R" Us	8
Harts	83	Trader Horn	102
Heck's	98	Trak Auto	70
Herman's	40	TSS	120
Highland Superstores	27	Tuesday Morning	123
Hills	14	Twin Valu	145
Hit or Miss	55	T.J. Maxx	19
Hypermart USA	58	Value City	53
J & R Music World	129	Van Leunen's	138
Jack's	104	Venture	24
Jamesway	29	Wall to Wall	97
K mart	1	Wal-Mart	2
K & K Toys	141	Wal-Mart SuperCenter	107
Kay-Bee	37	Warehouse Club	73
Kids "R" Us	49	Western Auto	25
K's Merchandise	95	Whitlock	67
Laneco	125	Witmark	150
Lechmere	42	W. Bell	118

Source: DSN *research*

Who Owns Whom

K mart Corp.
- K mart
- Pay Less NW
- Waldenbooks
- Pace
  - Makro
- American Fare
- Builders Square
  - Office Square
- Sports Authority

Wal-Mart Stores
- Wal-Mart
- Sam's Wholesale Club
- Hypermarket USA
- Wal-Mart SuperCenter

Dayton Hudson
- Target

Toys "R" Us
- Toys "R" Us
- Kids "R" Us

Ames
- Ames
- Office Shop Warehouse
- Crafts & More

Stop and Shop Cos.
- Bradlees

Adler & Shaykin
- Best Products

May Department Stores
- Venture

Odyssey Partners
- Caldor

Melville Corp.
- Marshalls
- Meldisco
- Freddy's
- Kay-Bee Toys
- Toy Works
- Linens 'n Things

TJX Cos.
- T.J. Maxx
- Hit or Miss

Riklis Family Corp.
- McCrory Stores
- Bargain Time
- G.C. Murphy

Super Valu
- ShopKo
  - Twin Valu

Sears, Roebuck & Co.
- Western Auto

Waban Inc.
- BJ's Wholesale Club

Isosceles PLC
- Herman's
- Sunset Sports

Trump Group
- Northern Automotive
  - Auto Works
  - Crown Auto Works
  - Checker Auto Works
  - Kragen Auto Works
  - Schuck's Auto Works

Thrifty Corp.
(Pacific Enterprises)
- Bi-Mart
- Pay 'n Save
- Big 5 Sporting Goods
- Brown's
- Casey's
- Dave Cook Sports
- Gart Bros. Sporting Goods
- MC Sporting Goods

Steinberg Inc.
- Smitty's

Schottenstein Stores
- Gee Bee Stores
- Value City
- Valley Fair

Pic 'N' Save
- Job Lot Trading

Lionel Leisure
- Kiddie City
- Play World
- Toy Warehouses

Strawbridge & Clothier
- Clover

International Semi-Tech (Far East)
- Consumer Distributing (U.S.)

Nationwise
- Guarantee Auto

Sefinco Ltd.
- Loehmann's

Boots Co.
- Whitlock Auto
- R&S Straus
- Rose Auto

Atari
- The Federated Group

Pritzker Family
- Finders Keepers

Dart Group
- Trak Auto

Penn Traffic
- Harts
  - Big Bear Plus

PACCAR Inc.
- Grand Auto
- Al's Auto Parts

Greenman Bros.
- Circus World Toy Stores
- Playland/Playworld

Albrecht Grocery
- Click

H.C. Prange
- Prange Way

Euromarche/Super Valu
- Biggs

Interco Inc.
- Sky City

Dylex Limited
- NBO Stores

Woolworth Corp.
- Champs

Carrefour PLC
- Carrefour

Dabah Family Holding
- Children's Place

Amrad
- Bargain Town (USA)
- Simply Six
- Max 10

Dixon's, PLC
- Silo

Value Merchants (formerly Wisconsin Toys)
- Toy Liquidators
- Toys Unlimited
- Everything's a $1.00

Auchan Group
- Auchan

Jordache
- L.A. Joe (formerly Heck's)

Variety Wholesalers
- Maxway

Investcorp
- Sports Unlimited

CNC Holdings
- Child World

Valassis Enterprises
- The Warehouse Club

Penn-Daniels Inc.
- Jacks

Chaffin Inc.
- Gibson's Discount Stores

International Paper
- Arvey Paper & Office Products

Wetterau Inc.
- Laneco

Paul Stephan & Associates
- Club Wholesale

JG Enterprises
- Goldblatt Department Stores

Howard Merchandise Corp.
- Arthur's Jewelers

Ammar's Inc.
- Magic Mart

Business Express
- The Office Place

Merchants West
- Karl's Toys

Fays
- The Paper Cutter

Wasserstrom Co.
- National Office Warehouse

Bronfman Associates
- Office America

Abitibi-Price
- Jafte's

Source: DSN *research*

The Discount Industry's Top 150 Chains

Rank 1989	Rank 1988	Chain, Headquarters	Code	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Earnings* (Loss) (In Millions) 1989	Earnings* (Loss) (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91
1	1	**K mart,**[1] Troy, Mich.	DDS	$24,210	$22,940	5.5%	$1,318.0	$1,436.0	(8.2)%	2,145	2,194	2,248
2	2	**Wal-Mart,**[2] Bentonville, Ark.	DDS	20,970	16,820	24.7	1,539.0	1,325.0	16.2	1,259	1,402	1,572
3	3	**Target,** Minneapolis, Minn.	DDS	7,519	6,331	18.8	449.0	341.0	31.7	341	401	430
4	4	**Montgomery Ward,**[3] Chicago, Ill.	DDS	5,028	4,865	3.4	NA	130.0	—	324	333	386
5	8	**Ames,**[4] Rocky Hill, Conn.	DDS	4,986	3,363	48.3	(228.0)	47.2	—	820	680	460
6	5	**Price Club,** San Diego, Calif.	CLUB	4,901	4,053	20.9	191.9	156.6	22.5	41	47	55
7	6	**Sam's,** Bentonville, Ark.	CLUB	4,841	3,829	26.4	131.0	100.0	31.0	105	123	148
8	7	**Toys "R" Us,**[5] Rochelle Park, N.J.	TOY	4,313	3,647	18.3	493.7	417.9	18.1	358	404	449
9	9	**Service Merchandise,** Nashville, Tenn.	CAT	3,307	3,093	6.9	111.8	121.3	(7.8)	317	334	349
10	15	**Costco,** Kirkland, Wash.	CLUB	2,943	1,989	48.0	55.5	31.1	78.5	50	62	72
11	11	**Meijer,**[6] Grand Rapids, Mich.	DDS	2,800	2,500	12.0	NA	NA	—	52	56	60
12	13	**Fred Meyer,** Portland, Ore.	DDS	2,284	2,070	10.3	0.8	66.2	(98.8)	112	125	125
13	17	**Circuit City,** Richmond, Va.	CE	2,100	1,721	22.0	128.0	114.5	11.8	125	149	180
14	18	**Hills,** Canton, Mass.	DDS	2,075	1,670	24.3	108.1	97.7	10.6	167	208	214
15	14	**Best Products,** Richmond, Va.	CAT	2,055	2,048	0.3	73.5	NA	—	194	194	195
16	16	**Marshalls,** Wakefield, Mass.	APP	1,939	1,753	10.6	166.0	158.0	5.1	309	347	386
17	25	**Pace,** Aurora, Colo.	CLUB	1,710	1,271	34.5	NA	NA	—	39	47	62
18	12	**Bradlees,** Braintree, Mass.	DDS	1,700	2,107	(19.3)	NA	84.9	—	131	130	130
19	20	**T.J. Maxx,** Framingham, Mass.	APP	1,700	1,500	13.3	137.0	134.0	2.2	308	352	397
20	19	**Caldor,** Norwalk, Conn.	DDS	1,651	1,568	5.3	108.9	89.7	21.4	119	118	124
21	21	**Pay Less NW,** Wilsonville, Ore.	DRUG	1,585	1,450	9.3	NA	58.0	—	269	294	339
22	23	**ShopKo,** Green Bay, Wis.	DDS	1,556	1,280	21.6	86.3	76.3	13.1	89	98	108
23	22	**Rose's,** Henderson, N.C.	DDS	1,508	1,439	4.8	14.3	26.1	(45.2)	250	259	262
24	24	**Venture,**[7] O'Fallon, Mo.	DDS	1,339	1,279	4.7	80.0	81.0	(1.2)	73	75	79
25	26	**Western Auto,**[8] Kansas City, Mo.	AUTO	1,200	1,100	9.1	NA	NA	—	424	468	518
26	28	**BJ's Wholesale Club,** Natick, Mass.	CLUB	985	817	20.6	18.6	9.5	95.8	22	23	31
27	27	**Highland Superstores,** Taylor, Mich.	CE	924	911	1.4	4.3	18.9	(77.5)	84	93	92
28	29	**Silo,** Philadelphia, Pa.	CE	900	815	10.4	NA	22.0	—	210	230	230
29	31	**Jamesway,**[9] Secaucus, N.J.	DDS	855	783	9.2	5.7	9.6	(40.6)	121	131	136
30	30	**Child World,**[10] Avon, Mass.	TOY	830	807	2.9	5.8	12.6	(54.0)	163	174	184
31	38	**Pep Boys,** Philadelphia, Pa.	AUTO	799	656	21.8	55.1	60.2	(8.5)	243	281	319
32	39	**Burlington Coat,**[11] Burlington, N.J.	APP	779	650	19.8	36.0	30.0	20.0	134	146	149
33	34	**Northern Automotive,**[12] Phoenix, Ariz.	AUTO	763	737	3.5	NA	3.6	—	873	828	850
34	37	**Family Dollar,**[13] Charlotte, N.C.	DOLLAR	757	669	13.2	35.1	44.2	(20.6)	1,500	1,600	1,700
35	41	**Smitty's,**[14] Phoenix, Ariz.	DDS	755	640	18.0	3.0	NA	—	20	24	24
36	40	**Ross Stores,**[15] Newark, Calif.	APP	741	643	15.2	29.8	26.2	13.7	140	156	186
37	32	**Kay-Bee,** Pittsfield, Mass.	TOY	724	780	(7.2)	NA	NA	—	727	777	827
38	35	**Fedco,** Santa Fe Springs, Calif.	DDS	720	685	5.1	8.3	7.6	9.2	12	12	12
39	46	**Price Savers,** Salt Lake City, Utah	CLUB	685	551	24.3	NA	NA	—	13	14	18
40	36	**Herman's,** Carteret, N.J.	SPORT	680	680	0.0	NA	NA	—	260	266	281
41	43	**Thrifty Corp,**[16] Los Angeles, Calif.	SPORT	660	615	7.3	NA	NA	—	233	256	290
42	33	**Lechmere,**[17] Woburn, Mass.	DDS	650	769	(15.5)	NA	22.0	—	27	18	18
43	45	**Pamida,** Omaha, Neb.	DDS	621	568	9.3	13.3	8.7	53.2	165	170	178
44	44	**Dollar General,** Scottsville, Ky.	DOLLAR	615	613	0.3	25.9	22.5	15.1	1,307	1,378	1,478
45	42	**Consolidated Stores,**[18] Columbus, Ohio	CLOSE	609	627	(2.9)	(14.5)	37.1	—	308	336	356
46	53	**The Wholesale Club,** Indianapolis, Ind.	CLUB	570	402	41.8	8.6	5.2	65.4	18	23	30
47	49	**AutoZone,** Memphis, Tenn.	AUTO	535	440	21.6	NA	NA	—	441	511	550
48	48	**Best Buy,**[19] Minneapolis, Minn.	CE	513	507	1.2	13.1	8.8	48.9	41	49	58
49	56	**Kids "R" Us,** Rochelle Park, N.J.	APP	475	353	34.6	20.0	10.9	83.5	112	137	167
50	52	**Pic 'N' Save,**[20] Carson, Calif.	CLOSE	475	402	18.2	50.9	77.7	(34.5)	155	190	210
51	47	**Alexander's,** New York, N.Y.	DDS	463	525	(11.8)	17.5	2.5	600.0	13	11	12
52	50	**Fishers Big Wheel,** New Castle, Pa.	DDS	450	420	7.1	NA	NA	—	92	95	100
53	55	**Value City,**[21] Columbus, Ohio	DDS	430	357	20.4	NA	NA	—	45	56	56
54	51	**Lionel Leisure,** Philadelphia, Pa.	TOY	429	409	4.9	0.5	5.5	(90.9)	84	92	102
55	54	**Hit or Miss,** Framingham, Mass.	APP	400	375	6.7	16.0	11.0	45.5	506	546	591
56	57	**Loehmann's,**[22] Bronx, N.Y.	APP	387	334	15.9	27.4	22.4	22.3	73	69	75
57	58	**Chief Auto Parts,** Dallas, Texas	AUTO	375	325	15.4	NA	NA	—	479	503	535
58	68	**Hypermart USA,**[23] Bentonville, Ark.	HYPER	367	275	33.5	3.0	NA	—	3	3	4
59	65	**Filene's Basement,**[24] Wellesley, Mass.	APP	358	300	19.2	5.5	(27.0)	—	22	25	30
60	59	**Tops Appliances,** Edison, N.J.	CE	345	320	7.8	NA	NA	—	2	3	4
61	64	**Consumers Distributing,** Edison, N.J.	CAT	335	300	11.7	NA	NA	—	86	87	87
62	61	**Oshman's,**[25] Easton, Texas	SPORT	317	305	3.9	(1.5)	7.8	—	193	193	200
63	63	**Bi-Mart,** Eugene, Ore.	DDS	315	300	5.0	NA	NA	—	38	41	44
64	110	**Office Depot,** Boca Raton, Fla.	OFFICE	314	132	137.9	9.7	3.9	148.7	26	67	125
65	66	**Syms,** Lyndhurst, N.J.	APP	301	283	6.4	32.9	30.9	6.5	22	27	27
66	70	**Ann & Hope,** Cumberland, R.I.	DDS	292	265	10.2	NA	NA	—	6	6	NA
67	73	**Whitlock,**[26] Des Plaines, Ill.	AUTO	285	260	9.6	NA	NA	—	252	280	NA
68	69	**Clover,** Philadelphia, Pa.	DDS	280	274	2.2	NA	NA	—	22	23	24
69	72	**Brendle's,** Elkin, N.C.	CAT	277	261	6.0	5.7	2.4	137.5	40	45	55
70	78	**Trak Auto,** Landover, Md.	AUTO	276	243	13.6	4.2	4.6	(8.7)	274	308	NA
71	76	**Makro,**[27] Cincinnati, Ohio	CLUB	270	250	8.0	NA	NA	—	6	9	0
72	71	**Nationwise,** Columbus, Ohio	AUTO	270	262	3.1	NA	NA	—	267	270	290
73	77	**Warehouse Club,** Skokie, Ill.	CLUB	267	249	7.2	2.2	(0.6)	—	12	12	12
74	80	**American TV,** Madison, Wis.	CE	250	235	6.4	NA	NA	—	7	7	7
75	86	**Dress Barn,**[28] Stamford, Conn.	APP	249	204	22.1	19.0	15.8	20.3	378	436	470

Chain Codes: ● **DDS:** Discount Department Store ● **APP:** Off—Price Apparel Chain ● **CE:** Consumer Electronics Chain ● **CAT:** Catalog Showroom Chain ● **AUTO:** Auto Aftermarket Specialty Chain ● **CLUB:** Membership Warehouse Club ● **SPORT:** Sporting Goods Specialty Chain ● **TOY:** Toy Specialty Chain ● **DOLLAR:** Dollar Discount Chain ● **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) ● **CLOSE:** Closeout Goods Chain ● **HYPER:** Hypermarket ● **OFFICE:** Office Supply Megastore

Sales: *Total U.S. store volume from apparel, general merchandise, groceries.*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items).*
NA: Not available
(NA): Unknown loss
NR: Not ranked in that year

[1] *K mart sales and store counts are U.S. K mart stores only; earnings include K mart stores, Pace and Makro clubs, Canadian Kresge and Jupiter stores, and one American Fare hypermarket. 1989 operating income also excludes a $598 million non-recurring charge for K mart store restructuring.*
[2] *Wal-Mart figures are for Wal-Mart discount stores, SuperCenters and Hypermart USA.*
[3] *Montgomery Ward is classified as DDS due to everday low price strategy and specialty store concept.*
[4] *Ames' earnings represent net income.*
[5] *Toys "R" Us sales include international toy stores (U.S. only toy store sales were approximately $3.8 billion in 1989); store counts are U.S. only.*
[6] *Meijer includes combination food/general mechandise stores and four general merchandise only units.*
[7] *Venture operated as a discontinued operation of The May Co. spin-off planned in 1990.*
[8] *Western Auto includes Tire America and NTW tire specialty stores and wholesale revenues from supplying 1,192 Western Auto associate stores.*
[9] *Jamesway's earnings represent net income.*
[10] *Child World's earnings represent net income.*
[11] *Burlington Coat Factory's earnings represent net income.*
[12] *Northern Automotive includes Schuck's, Checker, Kragen, Crown and Autoworks chains.*
[13] *Family Dollar's sales and earnings are for fiscal year ended Aug. 31.*
[14] *Smitty's earnings represent net income.*
[15] *Ross Stores earnings represent net income.*
[16] *Thrifty Corp. includes Big 5, MC Sporting Goods, Gart Bros., Browns, Dave Cook, and Mages sporting goods.*
[17] *Lechmere was spun off from Dayton Hudson in 1989.*
[18] *Consolidated Stores includes $15.2 million in wholesale revenue.*
[19] *Best Buy's 1989 sales are for 11 months due to change in company's fiscal year.*
[20] *Pic N' Save operates under the names Pic N' Save, Job Lot Pushcart and The "WOW" Store.*
[21] *Value City's sales are for fiscal year ended July 31.*
[22] *Loehmann's earnings represent earnings before interest, depreciation, taxes and amortization.*
[23] *Hypermart USA's units were renamed Wal-Mart's Hypermart USA in 1990 and remerchandised to more closely resemble the Wal-Mart SuperCenter concept.*
[24] *Filene's Basement's earnings represent net income or loss.*
[25] *Oshman's includes SuperSports USA, Oshman's and Housport chains.*
[26] *Whitlock Auto includes Whitlock, R&S Strauss and Rose Auto chains.*
[27] *Makro merged with Pace in 1990.*
[28] *Dress Barn's earnings represent net income.*

Source: DSN research

The Discount Industry's Top 150 Chains

Rank 1989	Rank 1988	Chain, Headquarters	Code	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Earnings* (Loss) (In Millions) 1989	Earnings* (Loss) (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91
76	79	**Newmark & Lewis,** Hicksville, N.Y.	CE	$ 246	$ 238	3.4%	$ 1.9	$ 4.6	—	52	50	68
77	89	**Bill's Dollar Stores,** Jackson, Miss.	DOLLAR	245	191	28.3	NA	NA	—	400	500	560
78	82	**Rich's,** Salem, Mass.	DDS	238	232	2.6	3.1	4.7	(34.0%)	21	22	24
79	122	**Super City,** Tucson, Ariz.	OFFICE	231	100	131.0	NA	NA	—	16	37	73
80	60	**ALCO,**[1] Abilene, Kan.	DDS	225	317	(29.0)	NA	(5.9)	—	150	100	100
81	83	**Fretter,**[2] Livonia, Mich.	CE	225	231	(2.6)	4.2	2.2	90.9	52	56	61
82	84	**L. Luria & Son.,** Miami Lakes, Fla.	CAT	221	216	2.3	5.5	8.0	(31.3)	48	49	52
83	87	**Harts,**[3] Columbus, Ohio	DDS	215	204	5.4	NA	3.0	(100.0)	33	35	35
84	67	**S.E. Nichols,**[4] New York, N.Y.	DDS	214	277	(22.7)	(44.6)	(8.7)	—	45	34	30
85	101	**Bigg's,** Cincinnati, Ohio	HYPER	200	150	33.3	NA	NA	—	3	4	4
86	92	**Goody's Family Clothing,** Knoxville, Tenn.	APP	200	180	11.1	NA	NA	—	80	90	100
87	90	**Grand Auto,**[5] Oakland, Calif.	AUTO	200	190	5.3	NA	NA	—	135	134	140
88	81	**The Wiz,** New York, N.Y.	CE	200	235	(14.9)	NA	NA	—	26	26	27
89	103	**The Good Guys,** San Francisco, Calif.	CE	195	149	30.9	6.9	5.3	30.2	18	22	34
90	96	**Sportmart,** Niles, Ill.	SPORT	190	165	15.2	NA	NA	—	21	24	24
91	93	**Clothestime,** Anaheim, Calif.	APP	188	171	9.9	0.5	(4.8)	—	335	359	379
92	99	**Prange Way,** Green Bay, Wis.	DDS	185	160	15.6	NA	11.0	—	25	25	25
93	95	**Quality Stores,** N. Muskegon, Mich.	DDS	185	165	12.1	NA	NA	—	54	59	65
94	123	**Staples,**[6] Newton, Mass.	OFFICE	182	98	85.7	5.7	6.2	(8.1)	22	38	70
95	94	**K's Merchandise,** Decatur, Ill.	CAT	180	165	9.1	NA	NA	—	11	12	NA
96	98	**Circus World,**[7] Farmingdale, N.Y.	TOY	178	163	9.0	5.5	5.0	10.0	326	326	NA
97	100	**Wall to Wall Sound,**[8] Cinnaminson, N.J.	CE	172	152	13.2	(3.7)	1.0	—	94	102	102
98	62	**Heck's,**[9] Nitro, W.Va.	DDS	169	301	(43.9)	(41.4)	(45.6)	—	75	55	0
99	NR	**Bargain Time,**[10] Oklahoma City, Okla.	CLOSE	160	0	—	NA	NA	—	0	190	180
100	85	**Gee Bee,**[11] Johnstown, Pa.	DDS	160	210	(23.8)	NA	NA	—	23	17	0
101	102	**Swallen's,** Cincinnati, Ohio	DDS	160	150	6.7	NA	NA	—	9	9	9
102	107	**Trader Horn,** Hasbrouck Heights, N.J.	CE	160	140	14.3	NA	NA	—	16	16	18
103	108	**Stein Mart,** Jacksonville, Fla.	DDS	159	139	14.4	NA	9.7	—	28	32	32
104	104	**Jack's,** Quincy, Ill.	DDS	155	140	10.7	NA	NA	—	12	13	13
105	106	**Stuarts,** Hopkinton, Mass.	DDS	150	140	7.1	(0.5)	0.9	—	20	23	23
106	88	**Audio-Video Affiliates,**[12] Dayton, Ohio	CE	144	196	(26.5)	(2.6)	3.1	—	125	73	80
107	133	**Wal-Mart SuperCenter,** Bentonville, Ark.	HYPER	140	80	75.0	6.0	NA	—	2	3	6
108	115	**The Andersons,** Maumee, Ohio	DDS	134	119	12.6	NA	NA	—	6	6	6
109	NR	**BizMart,** Arlington, Texas	OFFICE	133	34	291.2	NA	NA	—	10	31	57
110	109	**Chaffin,**[13] Dodge City, Kan.	DDS	130	135	(3.7)	NA	NA	—	32	32	32
111	111	**David Weis,** Monroeville, Pa.	CAT	130	125	4.0	NA	NA	—	17	18	NA
112	114	**Grandpa Pidgeon's,** Bridgeton, Mo.	DDS	130	120	8.3	NA	NA	—	8	9	9
113	NR	**Office Club,** Concord, Calif.	OFFICE	126	51	147.1	NA	(3.3)	—	15	37	89
114	117	**G.I. Joe's,** Wilsonville, Ore.	DDS	123	115	7.0	NA	NA	—	11	13	14
115	116	**The Present Co.,**[14] Rochester, N.Y.	CAT	122	116	5.2	NA	NA	—	31	31	32
116	125	**Champs Sports,** Bradenton, Fla.	SPORT	120	88	36.4	NA	NA	—	134	199	254
117	105	**Sky City,** Asheville, N.C.	DDS	120	140	(14.3)	NA	NA	—	72	57	67
118	113	**W. Bell,** Rockville, Md.	CAT	111	123	(10.1)	(4.8)	2.2	—	18	20	20
119	121	**Fred Schmid,** Denver, Colo.	CE	105	100	5.0	NA	NA	—	19	19	20
120	97	**TSS,**[15] Brooklyn, N.Y.	DDS	105	164	(36.0)	NA	NA	—	28	13	0
121	124	**NBO Stores,** Secaucus, N.J.	APP	101	96	5.2	NA	NA	—	34	38	40
122	118	**Arvey Paper,** Chicago, Ill.	OFFICE	100	100	0.0	NA	NA	—	36	36	41
123	129	**Tuesday Morning,** Dallas, Texas	CLOSE	98	82	19.5	6.5	5.3	22.6	101	114	131
124	127	**Academy,** Houston, Texas	SPORT	97	82	18.3	NA	NA	—	24	25	32
125	126	**Laneco,**[16] Palmer, Pa.	DDS	95	85	11.8	NA	NA	—	14	15	15
126	NR	**OW Office Warehouse,** Virginia Beach, Va.	OFFICE	95	0	—	NA	NA	—	2	12	28
127	130	**Building #19,** Hingham. Mass.	CLOSE	90	80	12.5	NA	NA	—	9	9	10
128	112	**Luskin's,** Baltimore, Md.	CE	90	123	(26.8)	NA	NA	—	45	32	34
129	138	**J & R Music World,** Brooklyn, N.Y.	CE	85	67.5	25.5	NA	NA	—	2	2	2
130	136	**Evans,** Rockville, Md.	CAT	84	72	16.7	NA	NA	—	9	10	12
131	128	**The Fair Company,** Worcester, Mass.	DDS	82	82	0.0	NA	NA	—	8	8	8
132	NR	**American Fare,** Troy, Mich.	HYPER	80	0	—	NA	NA	—	0	1	3
133	119	**Brick Church,**[17] Orange, N.J.	CE	80	100	(20.0)	NA	NA	—	40	40	0
134	131	**Dahlkemper's,** Erie, Pa.	CAT	80	80	0.0	NA	NA	—	8	9	9
135	137	**Modell's,** East Meadow, N.Y.	SPORT	80	71	12.3	NA	NA	—	23	31	36
136	134	**Big Bear Plus,** Columbus, Ohio	HYPER	79	75	5.3	NA	NA	—	4	4	4
137	141	**One Price Clothing Stores,**[18] Duncan, S.C.	APP	79	64	23.4	2.9	2.8	3.6	155	225	305
138	135	**Van Leunen's,** Cincinnati, Ohio	DDS	75	75	0.0	NA	NA	—	7	7	7
139	139	**Club Wholesale,** Meridian, Idaho	CLUB	70	65	7.7	NA	NA	—	5	5	6
140	143	**Odd Job Trading,** New York, N.Y.	CLOSE	69	60	15.0	NA	NA	—	16	16	17
141	140	**K & K Toys,** Norfolk, Va.	TOY	68	65	4.6	NA	NA	—	119	130	135
142	142	**Carrefour,** Philadelphia, Pa.	HYPER	65	60	8.3	NA	(NA)	—	1	1	2
143	NR	**Sports Authority,** Fort Lauderdale, Fla.	SPORT	65	40	62.5	NA	NA	—	4	8	18
144	149	**S&K Famous Brands,** Richmond, Va.	APP	61	52	17.3	2.6	2.1	23.8	74	90	100
145	NR	**Twin Valu,** Minneapolis, Minn.	HYPER	60	0	—	NA	NA	—	0	1	2
146	NR	**Sports Unlimited,** Tampa, Fla.	SPORT	59	45	31.1	5.3	4	32.5	7	11	19
147	NR	**50-Off Stores,**[19] San Antonio, Texas	APP	58	44	32.6	1.9	1.5	26.7	28	34	44
148	145	**Apex,** Pawtucket, R.I.	DDS	57	55	3.6	NA	NA	—	3	3	3
149	147	**Click,**[20] Akron, Ohio	DDS	57	54	5.6	NA	NA	—	9	9	9
150	148	**Witmark,** Grand Rapids, Mich.	CAT	56	53	5.7	NA	NA	—	9	9	9
		Top 10 Totals and Averages:		$ 83,018	$ 70,930	17.0%	—	—	—	5,760	5,980	6,136
		Top 25 Totals and Averages:		$110,220	$ 95,686	15.2%	—	—	—	8,421	8,900	9,315
		Top 50 Totals and Averages:		$127,840	$111,806	14.3%	—	—	—	15,750	16,723	17,689
		Top 100 Totals and Averages:		$141,144	$123,929	13.9%	—	—	—	20,763	22,303	22,692
		Top 150 Totals and Averages:		$146,115	$128,271	13.9%	—	—	—	22,172	23,892	24,554

Sales: *Total U.S. store volume from apparel, general merchandise, groceries.*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
NA: Not available
(NA): Unknown loss
NR: Not ranked in that year
[1]ALCO filed for Chapter 11 in May 1989.
[2]Fretter's earnings reflect change in method of accounting for the sale of service contracts.
[3]Harts excludes 4 Big Bear Plus stores; 1989 sales projected to reflect 52-week period.
[4]S.E. Nichols is in process of converting to deep discount drug store format.
[5]Grand Auto formerly Paccar Inc. Includes Al's Auto Supply.
[6]Staples' earnings represent net income.
[7]Circus World formerly Greenman Bros.; Also operates Playland and Playworld chains.
[8]Wall to Wall's earnings represent net income or loss.
[9]Heck's operated in Chapter 11 through 1989. Sold stores to Jordache in 1990. Now operates under name L.A. Joe.
[10]Bargain Time, a division of McCrory, was new startup in 1988 with core of 103 Odd Lot Trading stores acquired from Revco.
[11]Gee Bee's parent, Glosser Bros., is in Chapter 11. Sales include 18 Dollar Bargain closeout stores. Store count is Gee Bee only. Parent sold to Schottenstein Stores in April 1990.
[12]Audio-Video Affiliates earnings represent net income or loss.
[13]Chaffin also operates as Gibson's Discount Stores.
[14]The Present Co. includes Save-Rite acquisition.
[15]TSS after filing for Chapter 11 in 1989, only one store still in operation in 1990. Expected to be closed after liquidating inventory.
[16]Laneco includes combo stores only, excludes supermarkets.
[17]Brick Church was acquired by Newmark & Lewis in 1990.
[18]One Price Clothing Stores earnings represent net income.
[19]50-Off Stores earnings represent net income.
[20]Click includes grocery and general merchandise sales from combo stores, excludes sales from supermarkets.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

For Discounters, It's Survival of the Biggest

K mart's industry dominance in sales, profits, store count and selling space showed signs of slippage last year as Wal-Mart surpassed the No. 1 discounter in operating profit and closed the gap in other key measurements of chain size.

Wal-Mart was the profit leader in 1989, with operating earnings in excess of $1.5 billion. While K mart appears to have hit a profit ceiling, at least temporarily, Wal-Mart bounds ahead by a few million each year. In fact, K mart profits slipped below Wal-Mart's 1988 level.

The trend toward the big chains getting bigger at the expense of the smaller retailers continued last year, evidenced by the broader spectrum of profits reported by the top 20 profit makers.

Price Club and Sam's were no longer the only membership warehouse clubs to be among the profit leaders. Dramatic increases in the bottom line at Costco brought the club operator squarely among top earners.

The chains at the bottom of the profit leaders list struggle to maintain profitability; three out of the bottom four reported profit decreases between 1989 and 1988 as well as between 1988 and 1987.

Store count leaders changed significantly between 1989 and 1988 as Wal-Mart pushed ahead of Dollar General's store count, adding a fourth retailer to those operating over 1,000 units.

The only two chains among the store count leaders closing stores during 1989 were the two that may have bitten off more they could chew in terms of acquisitions: Ames and Northern Auto.

The Ames closings are clearly linked to the discounter's inability to profitably assimilate the Zayre stores. Northern Automotive bought the Checker and Kragen chains from Lucky Stores in 1988, bringing store count up to 873 by the end of that year.

Sales Volume Leaders

Chain	Code	Sales (In Millions) 1989	1988	1987	Percent Change '88-'89
K mart	DDS	$24,210	$22,940	$22,241	5.5%
Wal-Mart	DDS	20,970	16,820	13,248	24.7
Target	DDS	7,519	6,331	5,306	18.8
Montgomery Ward	DDS	5,028	4,865	4,639	3.4
Ames	DDS	4,986	3,363	2,112	48.3
Price Club	CLUB	4,901	4,053	3,236	20.9
Sam's	CLUB	4,841	3,829	2,711	26.4
Toys "R" Us	TOY	4,313	3,647	2,887	18.3
Service Merchandise	CAT	3,307	3,093	2,719	6.9
Costco	CLUB	2,943	1,989	1,370	48.0
Meijer	DDS	2,800	2,500	2,750	12.0
Fred Meyer	DDS	2,284	2,070	1,848	10.3
Circuit City	CE	2,100	1,721	1,350	22.0
Hills	DDS	2,075	1,670	1,514	24.3
Best Products	CAT	2,055	2,048	2,067	0.3
Marshalls	APP	1,939	1,753	1,603	10.6
Pace	CLUB	1,710	1,271	940	34.5
Bradlees	DDS	1,700	2,107	2,064	(19.3)
T.J. Maxx	APP	1,700	1,500	1,288	13.3
Caldor	DDS	1,651	1,568	1,502	5.3

Source: DSN research

Selling Space Leaders

Chain	Code	Number of Stores 1/90	Proj. 1/91	Average Store Size (In 000 Sq. Ft.)	Total Footage (In 000 Sq. Ft.)
K mart	DDS	2,194	2,248	57	125,058
Wal-Mart	DDS	1,402	1,572	70	98,140
Ames	DDS	680	460	65	44,200
Target	DDS	401	430	99	39,699
Montgomery Ward	DDS	333	386	100	33,300
Toys "R" Us	TOY	404	449	46	18,584
Dress Barn	APP	436	470	42	18,312
Hills	DDS	208	214	82	17,056
Fred Meyer	DDS	125	125	136	17,000
Service Merchandise	CAT	334	349	50	16,700
Pay Less NW	DRUG	294	339	52	15,288
Sam's	CLUB	123	148	110	13,530
Best Products	CAT	194	195	65	12,610
Family Dollar	DOLLAR	1,600	1,700	7	11,200
Bradlees	DDS	130	130	86	11,180
Rose's	DDS	259	262	43	11,137
Caldor	DDS	118	124	93	10,974
Marshalls	APP	347	386	29	10,063
ShopKo	DDS	98	108	99	9,702
Consolidated Stores	CLOSE	336	356	28	9,408

Source: DSN research

Store Count Leaders

Chain	Code	Number of Stores 1989	1988	1/90	Proj. 1/91
K mart	DDS	2,105	2,145	2,194	2,248
Family Dollar	DOLLAR	1,350	1,500	1,600	1,700
Wal-Mart	DDS	1,114	1,259	1,402	1,572
Dollar General	DOLLAR	1,302	1,307	1,378	1,478
Northern Automotive	AUTO	478	873	828	850
Kay-Bee	TOY	676	727	777	827
Ames	DDS	488	820	680	460
Hit or Miss	APP	485	506	546	591
AutoZone	AUTO	396	441	511	550
Chief Auto Parts	AUTO	465	479	503	535
Bill's Dollar Stores	DOLLAR	340	400	500	560
Western Auto	AUTO	394	424	468	518
Dress Barn	APP	302	378	436	470
Toys "R" Us	TOY	350	358	404	449
Target	DDS	317	341	401	430
Clothestime	APP	338	335	359	379
T.J. Maxx	APP	265	308	352	397
Marshalls	APP	286	309	347	386
Consolidated Stores	CLOSE	295	308	336	356
Service Merchandise	CAT	309	317	334	349

Source: DSN research

Profit Leaders

Chain	Code	Sales (In Millions) 1989	Earnings* (Loss) (In Millions) 1989	1988	Earning Percent Change
Wal-Mart	DDS	$20,970	$1,539.0	$1,325.0	16.2%
K mart	DDS	24,210	1,318.0	1,436.0	(8.2)
Toys "R" Us	TOY	4,313	493.7	417.9	18.1
Target	DDS	7,519	449.0	341.0	31.7
Price Club	CLUB	4,901	191.9	156.6	22.5
Marshalls	APP	1,939	166.0	158.0	5.1
T.J. Maxx	APP	1,700	137.0	134.0	2.2
Sam's	CLUB	4,841	131.0	100.0	31.0
Circuit City	CE	2,100	128.0	114.5	11.8
Service Merchandise	CAT	3,307	111.8	121.3	(7.8)
Caldor	DDS	1,651	108.9	89.7	21.4
Hills	DDS	2,075	108.1	97.7	10.6
ShopKo	DDS	1,556	86.3	76.3	13.1
Venture	DDS	1,339	80.0	81.0	(1.2)
Best Products	CAT	2,055	73.5	NA	—
Costco	CLUB	2,943	55.5	31.1	78.5
Pep Boys	AUTO	799	55.1	60.2	(8.5)
Pic 'N' Save	CLOSE	475	50.9	77.7	(34.5)
Burlington Coat	APP	779	36.0	30.0	20.0
Family Dollar	DOLLAR	757	35.1	44.2	(20.6)

**Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated. NA: Not available ( ) Loss*

Source: DSN research

Office Superstores Top List of Growing Chains

Office supply superstores were the newsmakers in terms of percentage sales growth, opening up new opportunities for suppliers looking for growth in the fairly flat sales environment of the '90s.

Hypermarkets, like office supply superstores, are relatively new to the discount retail scene and were therefore also able to be well-represented among the top percentage sales growth chains due to the small initial sales base.

The real victories came from Wal-Mart and Hills which, despite their comparatively long history and established sales base, were among the top percentage sales growth retailers last year.

While new retail concepts dominated percentage sales growth statistics, dollar for dollar, discount department stores were still at the industry helm. Wal-Mart, Ames, K mart and Target were the top four in dollar sales growth, with warehouse clubs not far behind.

Unlike the clubs, however, the dollar growth at full-line discounters is primarily being fueled by new store expansion. Wal-Mart, after opening 143 units last year, plans to further attack the U.S. market with another 170 units during this year. The chain will be ahead of the store opening plans for all other discount, dollar, variety and specialty store retailers.

Full-line discounters also topped the list of leading dollar earnings growth retailers. Target shot up to the second most profitable dollar growth chain with a $108 million surge in profits during 1989. Wal-Mart, No. 1 in profits growth, doubled Target's impressive dollar profit surge.

Top Chains in Dollar Sales Growth

Chain	Code	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Sales Growth (In Millions)
Wal-Mart	DDS	$20,970	$16,820	24.7%	$4,150
Ames	DDS	4,986	3,363	48.3	1,623
K mart	DDS	24,210	22,940	5.5	1,270
Target	DDS	7,519	6,331	18.8	1,188
Sam's	CLUB	4,841	3,829	26.4	1,012
Costco	CLUB	2,943	1,989	48.0	954
Price Club	CLUB	4,901	4,053	20.9	848
Toys "R" Us	TOY	4,313	3,647	18.3	666
Pace	CLUB	1,710	1,271	34.5	439
Hills	DDS	2,075	1,670	24.3	405
Circuit City	CE	2,100	1,721	22.0	379
Meijer	DDS	2,800	2,500	12.0	300
ShopKo	DDS	1,556	1,280	21.6	276
Fred Meyer	DDS	2,284	2,070	10.3	214
Service Merchandise	CAT	3,307	3,093	6.9	214
T.J. Maxx	APP	1,700	1,500	13.3	200
Marshalls	APP	1,939	1,753	10.6	186
Office Depot	OFFICE	314	132	137.9	182
BJ's Wholesale Club	CLUB	985	817	20.6	168
The Wholesale Club	CLUB	570	402	41.8	168

Source: DSN research

Top Chains in Percentage Sales Growth

Chain	Code	Sales (In Millions) 1989	Sales (In Millions) 1988	Sales (In Millions) 1987	Percent Change '88-'89
BizMart	OFFICE	$ 133	$ 34	NA	291.2%
Office Club	OFFICE	126	51	$ 11	147.1
Office Depot	OFFICE	314	132	34	137.9
Super City	OFFICE	231	100	100	131.0
Staples	OFFICE	182	98	40	85.7
Wal-Mart SuperCenter	HYPER	140	80	—	75.0
Ames	DDS	4,986	3,363	2,112	48.3
Costco	CLUB	2,943	1,989	1,370	48.0
The Wholesale Club	CLUB	570	402	272	41.8
Champs Sports	SPORT	120	88	43	36.4
Kids "R" Us	APP	475	353	250	34.6
Pace	CLUB	1,710	1,271	940	34.5
Hypermart USA	HYPER	367	275	0	33.5
Bigg's	HYPER	200	150	100	33.3
The Good Guys	CE	195	149	120	30.9
Bill's Dollar Stores	DOLLAR	245	191	164	28.3
Sam's	CLUB	4,841	3,829	2,711	26.4
Wal-Mart	DDS	20,970	16,820	13,248	24.7
Price Savers	CLUB	685	551	300	24.3
Hills	DDS	2,075	1,670	1,514	24.3

Minimum $100 million in 1989 sales *NA—not available.* *Source: DSN research*

Top Chains in Store Count Growth

Chain	Code	Number of Stores 1989	Number of Stores 1988	Number of Stores Proj. 1/91	Number of New Stores in 1988
Bargain Time	CLOSE	0	190	180	190
Wal-Mart	DDS	1,259	1,402	1,572	143
Bill's Dollar Stores	DOLLAR	400	500	560	100
Family Dollar	DOLLAR	1,500	1,600	1,700	100
Dollar General	DOLLAR	1,307	1,378	1,478	71
AutoZone	AUTO	441	511	550	70
One Price Clothing Stores	APP	155	225	305	70
Champs Sports	SPORT	134	199	254	65
Target	DDS	341	401	430	60
Dress Barn	APP	378	436	470	58
Kay-Bee	TOY	727	777	827	50
K mart	DDS	2,145	2,194	2,248	49
Toys "R" Us	TOY	358	404	449	46
T.J. Maxx	APP	308	352	397	44
Western Auto	AUTO	424	468	518	44
Hills	DDS	167	208	214	41
Office Depot	OFFICE	26	67	125	41
Hit or Miss	APP	506	546	591	40
Marshalls	APP	309	347	386	38
Pep Boys	AUTO	243	281	319	38

Source: DSN research

Top Chains in Dollar Earnings Growth

Chain	Code	Earnings* (Loss) (In Millions) 1989	Earnings* (Loss) (In Millions) 1988	Percent Change	Earnings Growth (In Millions)
Wal-Mart	DDS	$1,539.0	$1,325.0	16.2%	$214.0
Target	DDS	449.0	341.0	31.7	108.0
Toys "R" Us	TOY	493.7	417.9	18.1	75.8
Price Club	CLUB	191.9	156.6	22.5	35.3
Filene's Basement	APP	5.5	(27.0)	—	32.5
Sam's	CLUB	131.0	100.0	31.0	31.0
Costco	CLUB	55.5	31.1	78.5	24.4
Caldor	DDS	108.9	89.7	21.4	19.2
Alexander's	DDS	17.5	2.5	600.0	15.0
Circuit City	CE	128.0	114.5	11.8	13.5
Hills	DDS	108.1	97.7	10.6	10.4
ShopKo	DDS	86.3	76.3	13.1	10.0
BJ's Wholesale Club	CLUB	18.6	9.5	95.8	9.1
Kids "R" Us	APP	20.0	10.9	83.5	9.1
Marshalls	APP	166.0	158.0	5.1	8.0
Burlington Coat	APP	36.0	30.0	20.0	6.0
Office Depot	OFFICE	9.7	3.9	148.7	5.8
Clothestime	APP	0.5	(4.8)	—	5.3
Hit or Miss	APP	16.0	11.0	45.5	5.0
Loehmann's	APP	27.4	22.4	22.3	5.0

**Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*

Source: DSN research

Top 52 Full-Liners Post 12% Sales Gain

The top 52 discount department store operators achieved nearly a 12 percent increase in sales last year, despite declines by more than 10 regional companies.

However, sales drops at these mid-sized retailers were more than offset by whopping dollar and percentage increases among the industry's largest chains.

K mart's U.S. discount department store sales grew 5.5 percent, adding nearly $1.3 billion in sales to the full-line discount store pie last year. Wal-Mart's discount stores recorded a whopping 25 percent sales gain, while Target's sales grew by nearly 19 percent, as the Big Three further distanced themselves from the rest of the field.

The $6.7 billion in new sales generated by discounting's Big Three was more volume than *any* other single chain could achieve in total sales last year. In other words, the Big Three together added enough new sales to create the fourth largest chain in the industry.

Despite the growing dominance of K mart, Wal-Mart and Target, the discount industry is hardly a three-chain field. Billion-dollar-plus retailers like Meijer, Fred Meyer, Caldor and ShopKo were successful last year. In all, 13 full-line discount chains were billion dollar retailers last year. And, Jamesway, with $855 million in sales last year, is nearing that lofty perch.

Montgomery Ward, classified as a full-liner due to its everyday pricing strategy and store-within-a-store concepts, achieved a 3.4 percent sales gain.

Ames recorded the largest percentage increase in sales last year due to its acquisition of Zayre in late 1988. However, that turned into a bittersweet achievement as the money-losing Zayre stores dragged the entire company into Chapter 11 this spring. Ames will close over 200 stores this year and probably record one of the industry's greatest sales declines when it reports 1990 sales next year.

Other big sales gainers in 1989 were:

- Hills, up 24 percent;
- ShopKo, up 22 percent;
- Value City, up 20 percent;
- Prange Way, up 16 percent.

Consolidations, bankruptcies and liquidations plagued a number of discount chains in 1989. Among the bigger sales declines were:

- Bradlees' 19 percent slide on a smaller store base;
- Lechmere's 16 percent drop in sales after consolidating following its spin off from Dayton Hudson;
- Alexander's 12 percent slash;
- ALCO's near 30 percent sales decline and Chapter 11 filing;
- S.E. Nichols' 23 percent drop and decision to abandon full-line general merchandise discounting for drug store discounting;
- Heck's 44 percent drop before its sale to Jordache;
- Gee Bee's 24 percent decline while its parent filed Chapter 11;
- Sky City's 14 percent dip;
- TSS' 36 percent sales drop before liquidating this year;
- Mars' 44 percent decline before liquidation;
- Yellow Front's near 80 percent drop in sales before liquidation in 1990.

With a total of $87 billion in sales, these 52 largest full-line discount chains accounted for 94 percent of the estimated $92.2 billion recorded last year by full-line discounters, including smaller independents, hypermarkets, dollar and closeout chains.

Store count growth was substantial in 1989 as the industry's top 52 chains opened 125 new stores last year. However, the Ames' closings and the disappearance of chains like Yellow Front, Heck's, Gee Bee and TSS, has resulted in *DSN* estimating that store count of these chains will decline by year-end.

[1]K mart: Sales and store counts are U.S. K mart stores only.
[2]Wal-Mart: Figures are for Wal-Mart discount stores, SuperCenters and Hypermart USA.
[3]Montgomery Ward: Classified as DDS due to everday low price strategy and specialty store-within-a-store concept.
[4]Meijer: Includes combination food/general mechandise stores and four general merchandise only units.
[5]Venture: Operated as a discontinued operation of The May Co. spin-off planned in 1990.
[6]Lechmere: Spun off from Dayton Hudson in 1989.
[7]Value City: Sales are for fiscal year ended July 31.
[8]ALCO: Filed for Chapter 11 in May 1989.
[9]Harts: Excludes 4 Big Bear Plus stores; 1989 sales projected to reflect 52-week period.
[10]S.E. Nichols: In process of converting to deep discount drug store format.
[11]Heck's: In 1989, operated in Chapter 11. Sold stores to Jordache in 1990. Now operates under name L.A. Joe.
[12]Gee Bee: Parent Glosser Bros. in Chapter 11. Sales include 18 Dollar Bargain closeout stores. Store count is Gee Bee only. Parent sold to Schottenstein Stores in April 1990.
[13]Chaffin: Also operates as Gibson's Discount Stores.
[14]TSS: After filing for Chapter 11 in 1989, only one store still in operation in 1990. Expected to be closed after liquidating inventory.
[15]Laneco: Includes combo stores only, excludes supermarkets.
[16]Click: Includes grocery and general merchandise sales from combo stores, excludes sales from supermarkets.
[17]Mars: Mars was liquidated during 1989.
[18]Yellow Front: Declared Chapter 11 bankruptcy in 1990; now operates 44 stores.

Top Full-Line Discount Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
K mart[1], Troy, Mich.	$24,210	$22,940	5.5%	2,145	2,194	2,248	57
Wal-Mart[2], Bentonville, Ark.	20,970	16,820	24.7	1,259	1,402	1,572	70
Target, Minneapolis, Minn.	7,519	6,331	18.8	341	401	430	99
Montgomery Ward[3] Chicago, Ill.	5,028	4,865	3.4	324	333	386	NA
Ames, Rocky Hill, Conn.	4,986	3,363	48.3	820	680	460	65
Meijer[4], Grand Rapids, Mich.	2,800	2,500	12.0	52	56	60	130
Fred Meyer, Portland, Ore.	2,284	2,070	10.3	112	125	125	136
Hills, Canton, Mass.	2,075	1,670	24.3	167	208	214	82
Bradlees, Braintree, Mass.	1,700	2,107	(19.3)	131	130	130	86
Caldor, Norwalk, Conn.	1,651	1,568	5.3	119	118	124	93
ShopKo, Green Bay, Wis.	1,556	1,280	21.6	89	98	108	99
Rose's, Henderson, N.C.	1,508	1,439	4.8	250	259	262	43
Venture[5], O'Fallon, Mo.	1,339	1,279	4.7	73	75	79	83
Jamesway, Secaucus, N.J.	855	783	9.2	121	131	136	58
Smitty's, Phoenix, Ariz.	755	640	18.0	20	24	24	110
Fedco, Santa Fe Springs, Calif.	720	685	5.1	12	12	12	180
Lechmere[6], Woburn, Mass.	650	769	(15.5)	27	18	18	85
Pamida, Omaha, Neb.	621	568	9.3	165	170	178	25
Alexander's, New York	463	525	(11.8)	13	11	12	262
Fishers Big Wheel New Castle, Pa.	450	420	7.1	92	95	100	45
Value City[7], Columbus, Ohio	430	357	20.4	45	56	56	80
Bi-Mart, Eugene, Ore.	315	300	5.0	38	41	44	30
Ann & Hope, Cumberland, R.I.	292	265	10.2	6	6	NA	180
Clover, Philadelphia, Pa.	280	274	2.2	22	23	24	85
Rich's, Salem, Mass.	238	232	2.6	21	22	24	70
ALCO[8], Abilene, Kan.	225	317	(29.0)	150	100	100	30
Harts[9], Columbus, Ohio	215	204	5.4	33	35	35	68
S.E. Nichols[10], New York	214	277	(22.7)	45	34	30	NA
Quality Stores N. Muskegon, Mich.	185	165	12.1	54	59	65	23
Prange Way Green Bay, Wis.	185	160	15.6	25	25	25	NA
Heck's[11], Nitro, W.Va.	169	301	(43.9)	75	55	0	45
Swallen's, Cincinnati, Ohio	160	150	6.7	9	9	9	133
Gee Bee[12], Johnstown, Pa.	160	210	(23.8)	23	17	0	70
Stein Mart, Jacksonville, Fla.	159	139	14.4	28	32	32	40
Jack's, Quincy, Ill.	155	140	10.7	12	13	13	80
Stuarts, Hopkinton, Mass.	150	140	7.1	20	23	23	60
The Andersons, Maumee, Ohio	134	119	12.6	6	6	6	115
Grandpa Pidgeon's Bridgeton, Mo.	130	120	8.3	8	9	9	79
Chaffin[13], Dodge City, Kan.	130	135	(3.7)	32	32	32	32
G.I. Joe's, Wilsonville, Ore.	123	115	7.0	11	13	14	65
Sky City, Asheville, N.C.	120	140	(14.3)	72	57	67	45
TSS[14], Brooklyn, N.Y.	105	164	(36.0)	28	13	0	175
Laneco[15], Palmer, Pa.	95	85	11.8	14	15	15	NA
The Fair Co., Worcester, Mass.	82	82	0.0	8	8	8	90
Van Leunen's, Cincinnati	75	75	0.0	7	7	7	60
Click[16], Akron, Ohio	57	54	5.6	9	9	9	120
Apex, Pawtucket, R.I.	57	55	3.6	3	3	3	95
Goldblatt Department Stores Chicago, Ill.	52	48	9.0	10	12	12	50
Kingsway, Detroit, Mich.	49	50	(2.0)	3	3	3	140
Mars[17], North Dighton, Mass.	45	80	(43.8)	14	0	0	NA
Magic Mart, Bluefield, Va.	44	40	10.0	16	16	17	40
Yellow Front[18], Phoenix, Ariz.	40	190	(78.9)	155	166	0	15
Total:	$87,010	$77,805	11.8%	7,334	7,459	7,360	

NA — not available

Source: DSN research

Catalog Showrooms Enter '90s with New Vigor

The catalog showroom industry enters the last decade of the century in the healthiest state of the past five years.

Paced by its leading chain, Service Merchandise, the industry in 1990 will maintain the measured growth of the past few years and should reach at least $7.7 billion in sales, possibly even attaining the record high of $7.9 billion reached in 1985.

During the past half decade, the contractions in chains, along with financial and operational problems at the end of the 1980s at Service Merchandise and Best Products—the second largest showroom chain—hurt the industry's reputation and position as a major jewelry/hard goods specialty retailer.

The advent of category killer specialty chains in such fields as consumer electronics, housewares, toys and office supplies further impacted the industry's status as the only marketer of a broad assortment of hard lines—middle- and high-end merchandise from all these categories.

While the attention of manufacturers and retailing observers focused on a handful of specialty retailers during the past few years, a simple fact was overlooked:

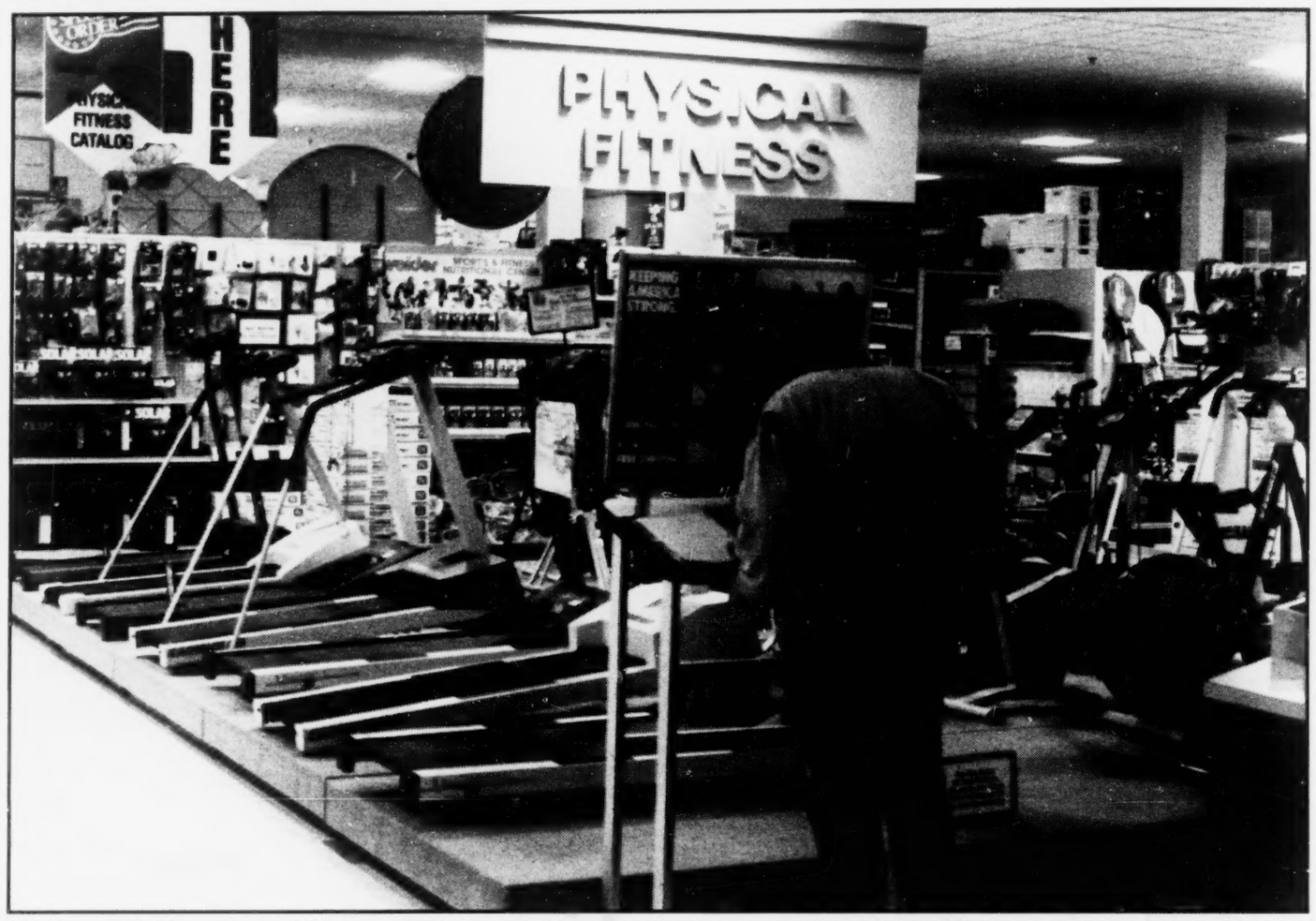
The showroom industry still contains a world of powerful retailers—two multibillion dollar national chains, three regional forces and a host of local powers—all of which use a catalog as a propulsive ad vehicle and feature jewelry as the profit pile-driver and a broad assortment of hard goods as profitable traffic pulling merchandise.

Industry's Basic Strength

The catalog showroom industry's basic strength can be seen from the sales of the approximately 50 showroom chains that account for over 99 percent of the industry's volume, which last year grew to $7.5 billion, a 4.2 percent increase from $7.2 billion in 1988. (The industry also comprises another 50 companies—accounting for about $75 million—that either distribute a catalog as part of their candy/-tobacco wholesale business or else operate a single small showroom.)

That growth continued the industry's $300 million-plus a year sales recovery from the 1986 to 1987 period when volume plunged to $6.9 billion, a 12.6 percent plummet from the 1985 record of $7.9 billion.

The overall sales gain portrays only one part of the picture. It shows the industry's overall performance while masking the continued dominant position of the top dozen-and-a-half catalogers whose $7.2 billion in sales last year accounted for 96.7 percent of the volume; these same chains' $6.9 billion in sales in 1988 were responsible for 96.3 percent of the volume that year.



Richmond, Va.: *Best will open its first new store in three years, reopening a Houston showroom.* (DSN photo)

Top Catalog Showroom Chains

Chain (Coordinator)	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91
Service Merchandise Nashville, Tenn. (Independent)	$3,307	$3,093	6.9%	317	334	349
Best Products Richmond, Va. (Independent)	2,055	2,048	0.3	194	194	195
Consumers Distributing Edison, N.J. (Independent)	335	300	11.7	86	87	87
Brendle's Elkin, N.C. (MAI)	277	261	6.0	40	45	55
L. Luria & Son. Miami Lakes, Fla. (Independent)	221	216	2.3	48	49	52
K's Merchandise Decatur, Ill. (Paul Schultz)	180	165	9.1	11	12	NA
David Weis Monroeville, Pa. (MAI)	130	125	4.0	17	18	NA
The Present Co. Rochester, N.Y. (MAI)	122	116	5.2	31	31	32
W. Bell Rockville, Md. (Independent)	111	123	(10.1)	18	20	20
Evans Rockville, Md. (MAI)	84	72	16.7	9	10	12
Dahlkemper's Erie, Pa. (Paul Schultz)	80	80	0.0	8	9	9
Witmark Grand Rapids, Mich. (MAI)	56	53	5.7	9	9	9
Sterling Jewelry Dallas, Texas (Paul Schultz)	55	55	0.0	5	5	5
Arthur's Jewelers Plainfield, N.J. (MAI)	50	45	11.1	7	8	8
E.H. Tepe South Bend, Ind. (Paul Schultz)	45	45	0.0	10	10	10
Goldbro Jewelers Birmingham, Ala. (Associated Charter)	40	39	2.6	8	8	8
Folands Livonia, Mich. (Associated Charter)	40	40	0.0	6	6	6
Brand Name Tonawanda, N.Y. (Independent)	32	25	28.0	15	15	15
Fred P. Gattas Memphis, Tenn. (MAI)	30	28	7.1	6	6	6
Total:	$7,249	$6,929	4.6%	845	876	878

Source: DSN research

Some Marketing Methods

This can be seen by looking at the three main showroom formats, the leading players using that marketing method and the sales payoff:

- The traditional concept: samples displayed, goods retrieved from a pickup station. Used by Luria, Consumers Distributing (which also has a half dozen fully self-service units without a pickup desk) and W. Bell in a small store format—10,000 square feet to 15,0000 square feet—that produces store sales between $3 million and $5 million.
- Completely self-service jewelry/hard lines discount stores. Brendle's, David Weis and Evans are among the few catalogers following this format in larger 40,000-square-foot to 50,000-square-foot units that average $6 million to $8 million in sales.
- Hybrids: self-service for some items, such as housewares/toys/sporting goods, with other goods gotten at the pickup desk. Service Merchandise, Best Products, K's Merchandise and Present among others favor this large store format—50,000 square feet to 70,000 square feet—that produces $5 million to $10 million in sales per showroom.

The focus on most chains in the industry this year is on further improving operations to strengthen their position against discount and specialty store competition. The tactics range from deploying jewelry specialty stores as a new growth area to refining assortments by expanding selected categories like home/office merchandise, home furnishing/home decor, as well as juvenile.

New showroom growth will be at a minimum, with Service Merchandise accounting for almost all the gain through its projected 15 new showrooms. Best will unveil its first new store in three years by reopening a closed Houston showroom; Luria will continue to fill in units in Florida where it has all its stores while Brendle's will maintain its expansion in the Southeast.

Off-Pricers Prosper Despite Heavy Markdowns

Most leading apparel chains reported sales and profit growth in 1989, despite a raft of department store bankruptcies that put pressure on margins as well as a general lack of fashion direction.

In the last quarter especially, the problems caused by Campeau, Hooker and other troubled department store owners created a promotional, markdown-heavy retail climate. The confused consumers were torn between the always bargain prices of the discounters and the 50 percent-off sales at the major department stores. No one was winning in this atmosphere.

In addition, though specialty stores such as The Limited, made some strides in setting a fashion pace, no real trend or look emerged to pull customers into a store.

As the fiscal year ended, most apparel chains felt they were on steadier ground. To their credit, throughout a troublesome 1989, the major chains continued to concentrate on new prototypes and expansion plans. Some of this concentration reflected the importance of areas beyond apparel, such as domestics and jewelry.

Upscaling also continued with newer merchandising displays at NBO and Ross Stores or at least with a clearer division of floor space for some discounters such as Syms and Loehmann's.

Recognizing the beginning of a style fashion trend, a number of apparel chains redirected their efforts in the accessories and jewelry areas. The new prototype Ross Stores introduced last year created distinct displays at the front of the stores for these categories.

T.J. Maxx also went after this market. The retailer had featured jewelry departments in 120 of its stores, with more than 70 expected to carry the category in 1990.

TJX Cos. was one of the firms most directly affected by others' financial woes. The firm continued its impressive growth with T.J. Maxx way ahead of its Hit or Miss and Chadwick's divisions. Though the company does not break down sales figures by division, as a whole it reported healthy sales of $2.15 billion, compared with $1.9 billion in 1988.

The Ames problems, however, forced the company to restate its earnings. As the Ames bankruptcy announcement neared, TJX said it was holding a reserve of $185 million against possible losses since it retained 6 percent of Ames' stock in its sale of the Zayre chain in 1988. This resulted in a fiscal year net loss of $161 million. TJX suffered only temporary injuries in this storm. Executives assured stockholders that its cash flow remained unaffected, and future plans for store openings remained on track.

Ross Stores began the year with 154 stores across the country, and aggressively moved ahead with store openings and remodelings. Last year, it introduced a new prototype store and has since incorporated that upscaled look into approximately 20 of its existing stores. New stores are expected to bring the store count to 186 by the end of this year, with more remodelings planned.

Marshall's, still the leader in the off-price apparel category if you break out T.J. Maxx and Hit or Miss sales separately, succeeded by increasing space for domestics. The chain experimented with "superstores" which are 10 percent larger than average Marshall's stores and are defined by larger home furnishings departments. Close to 12 percent of the retailer's product mix is in domestics and gifts. The chain reported favorable reaction to the new concept, paving the way for future superstores.

Another impressive mover was One Price Clothing Store which ended 1989 with 225 stores, up from 155 a year earlier. Not about to stop there, another 80 stores are on the drawing board.

New on the list this year is Goody's Family Clothing. A policy of "everyday low pricing" helped the the Knoxville, Tenn.-based retailer record healthy sales for 1989. Originally known as Athens Outlet Stores, Goody's has grown to 90 stores in eight states selling family fashions at 20 percent to 40 percent lower margins. The company is poised for even more growth. A larger corporate headquarters and DC was built in 1989 and inaugurated early this year. Five new stores are planned for 1990.

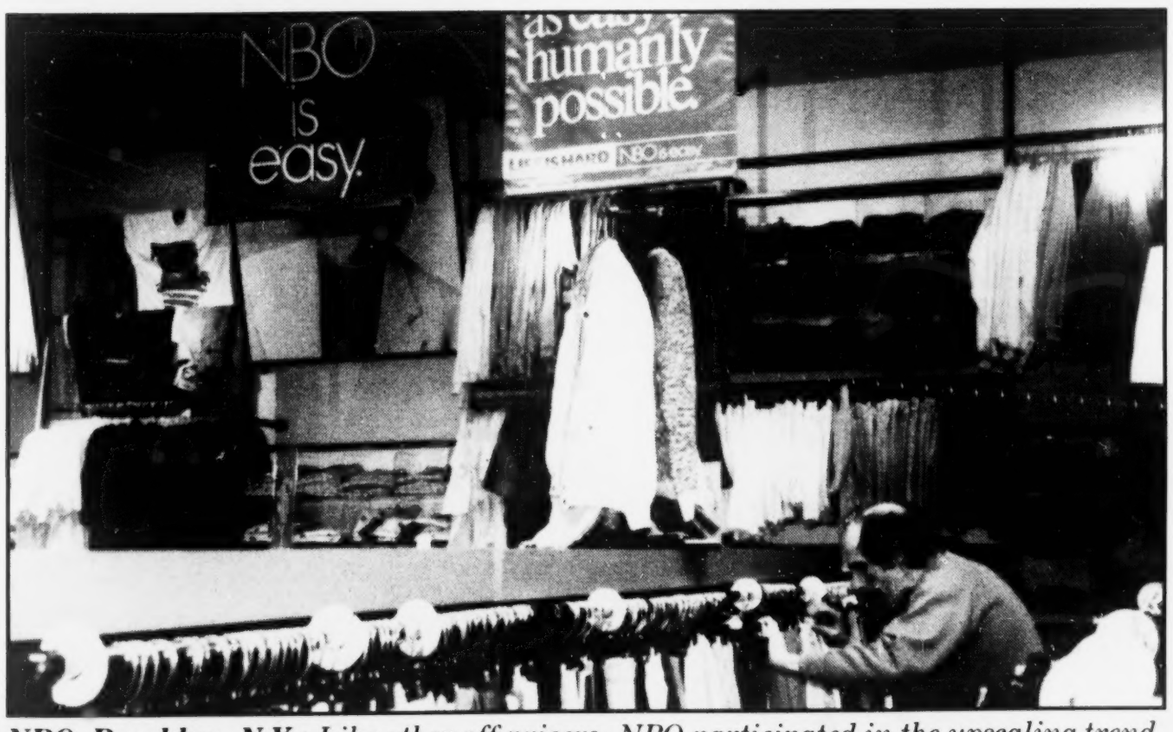
Kids "R" Us, the children's apparel chain operated by toy giant Toys "R" Us seems to be duplicating its parent company's success. Though the company does not release separate financial information for its divisions, reports indicated that Kids "R" Us doubled its net earnings for 1989 and sales rose about 35 percent to $475 million. Thirty more stores are expected to open this year.

Despite a dismal 1988, Clothestime, which posted a net loss of $2.1 million in 1988, rallied back this year, albeit slowly. The California-based retailer opened 24 stores and posted sales of $171 million. Net earnings were back on the positive side, though at $461,000, the company still has a ways to go.

Top Off-Price Apparel Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Marshalls Wakefield, Mass.	$1,939	$1,753	10.6%	309	347	386	29
T.J. Maxx Framingham, Mass.	1,700	1,500	13.3	308	352	397	25
Burlington Coat Burlington, N.J.	779	650	19.8	134	146	149	57
Ross Stores Newark, Calif.	741	643	15.2	140	156	186	31
Kids "R" Us Rochelle Park, N.J.	475	353	34.6	112	137	167	20
Hit or Miss Framingham, Mass.	400	375	6.7	506	546	591	4
Loehmann's Bronx, N.Y.	387	334	15.9	73	69	75	13
Filene's Basement Wellesley, Mass.	358	300	19.2	22	25	30	30
Syms Lyndhurst, N.J.	301	283	6.4	22	27	27	45
Dress Barn Stamford, Conn.	249	204	22.1	378	436	470	42
Goody's Family Clothing Knoxville, Tenn.	200	180	11.1	80	90	100	25
Clothestime Anaheim, Calif.	188	171	9.9	335	359	379	4
NBO Stores Secaucus, N.J.	101	96	5.2	34	38	40	9
One Price Clothing Stores Duncan, S.C.	79	64	23.4	155	225	305	2
S&K Famous Brands Richmond, Va.	61	52	17.3	74	90	100	4
50-Off Stores San Antonio, Texas	58	44	32.6	28	34	44	18
Total:	$8,016	$7,002	14.5%	2,710	3,077	3,446	

Source: DSN research



NBO, Brooklyn, N.Y.: *Like other off-pricers, NBO participated in the upscaling trend, making use of such department store touches as trac-lighting and wall graphics.*

Kids "R" Us, Brooklyn, N.Y.: *The childrens's apparel division of Toys "R" Us reportedly doubled its earnings in 1989 and expects to open 30 more stores this year.* (DSN photos)

Clubs Set to Stampede 'Underserved' Northeast

After tilling the ground in 1989, warehouse club operators are poised to plant new units in the Northeast with a vengeance.

Armed with aggressive expansion schedules for the New York, New Jersey, Connecticut, Massachusetts corridor as well as the mid-Atlantic states and New England, the nation's largest as well as the upstart clubs have targeted this underserved region.

Leading the way will be Sam's Wholesale Club, the Wal-Mart arm which plans a major assault on the Northeast, including six units in New York, seven in Pennsylvania, and one each in Delaware, New Hampshire and Maine.

Sam's first store in the region opened in New Jersey last fall in Delran Township, midway between Trenton, N.J., the state's capital, and Philadelphia. The next Sam's will open in Atlantic City followed by a third in Newark, N.J., near the new IKEA home furnishings store.

But Sam's won't be alone among wholesale clubs flexing their muscles in the Northeast. In addition to the handful of clubs already operating in the region (by Price Club, BJ's Wholesale Club and Pace/Makro) many more are projected for the area. Price Club and BJ's have announced plans to increase their presence in the Northeast and Costco is expected to enter the lucrative market this year. Pace's presence in the region should increase, too, a result of the chain's absorption of nine Makro units as well as with new development.

Also, industry newcomer, Metro Warehouse, started by former Makro president Joe Nusim, has targeted the Northeast for its trading area. Metro Warehouse expects to open its first unit in either New Jersey or on Long Island by next spring and end that year with a total of three clubs in the region.

As an industry, warehouse club sales grew by 28 percent last year, to $17.2 billion from $13.5 billion in 1988. At the same time, the number of club units increased 15.2 percent to 367, supporting the fact that warehouse clubs are a mature industry.

At $4.9 billion, Price Club continues to lead the industry in sales, and with its per unit and sales square foot statistics, at approximately $111 million and $1,110 per square foot, respectively.

Sam's, though, is the store count leader with 123 units scattered across 24 states. By the end of the year, Sam's will grow to 148 units and add a handful of new states to a list that soon will include New York, positioning the Arkansas-based chain to become the nation's first national warehouse club company.

Sam's sales, at $4.8 billion, were second only to industry leader Price Club in 1989, but its runner-up status is not expected to continue. Sales gains for Sam's should increase exponentially with its store opening schedule. Sam's will probably overtake Price Club in 1990 as the No. 1 wholesale club chain.

Expansion and growth are not limited to the top two chains.

Costco, the industry's No. 3 ranked chain with more than $2.9 billion in sales, charted the largest sales growth of any club in 1989, 48 percent, a testament to its strong position in the highly competitive industry. This year, Costco expects to open 10 new clubs, mostly in the Northeast.

BJ's, the No. 5 ranked chain with sales of just under $1 billion, will beef up its presence in the Northeast with new clubs scattered across the region.

Sales and club counts should increase this year as dramatically in past years as unit preparation turns into reality. By the end of the year, *DSN* expects the warehouse club business to total more than $22 billion in sales, a 27 percent gain, and over 430 units, a 19 percent jump.

Also, the maturing nature of the business should provide fertile ground for more business mergers or acquisitions.

In addition, clubs will continue to strengthen their selections of fresh fruits and vegetables, add and expand scratch bakeries as well as move to diversify their merchandising with such services as optical departments.

The dearth of growth in the Midwest should also continue in 1990 since the expansion thrust is squarely resting on the Northeast, although some advances are becoming evident.

Sam's, for example, plans to strengthen its presence in Wisconsin and move into Iowa. The Wholesale Club, based in Indianapolis, recently unveiled its 1990 prototype in its hometown and will roll it out to its new club locations this year, said Tom Geisse, senior vice president, marketing.

Also new for 1990 will be two new clubs: Wholesale Depot, which opened two units in the waning weeks of 1989, one in Erie, Pa., in October followed by one in Bangor, Maine, in November, and Metro Warehouse, Nusim's start-up club. Metro's units won't open until next year, however.

The new entries and the small club chains have herculean efforts ahead of them in 1990 and for the balance of the century since they are trying to carve a niche for themselves in a mature business segment against established chains, four of them multibillion dollar companies.

For its part, Wholesale Depot is attempting to distinguish itself as a club for smaller markets with its 60,000-square-foot units. Only time will tell if the theory is brilliant or simply wishful thinking.

Nusim's Metro Wholesale faces the same daunting obstacles. Metro plans to locate all of its upcoming units in the Northeast. Yet by the time Nusim opens his first three clubs, at the end of 1991, the region will have more than the dozen or so clubs it currently has and many more players.

The obstacles proved too much for three clubs in 1989: Saveco, American Wholesale and Buyer's Club, all closed their doors last year.

This year, Makro faces the same fate because its parent, K mart, decided that the hybrid concept failed to catch on and instead merged the chain with its newest acquisition, Pace, the No. 4 chain.

Top Membership Warehouse Clubs

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Price Club San Diego, Calif.	$ 4,901	$ 4,053	20.9%	41	47	55	100
Sam's Bentonville, Ark.	4,841	3,829	26.4	105	123	148	110
Costco Kirkland, Wash.	2,943	1,989	48.0	50	62	72	110
Pace Aurora, Colo	1,710	1,271	34.5	39	47	62	100
BJ's Wholesale Club Natick, Mass.	985	817	20.6	22	23	31	105
Price Savers Salt Lake City, Utah	685	551	24.3	13	14	18	105
The Wholesale Club Indianapolis, Ind.	570	402	41.8	18	23	30	105
Makro[1] Cincinnati, Ohio	270	250	8.0	6	9	0	100
Warehouse Club Skokie, Ill.	267	249	7.2	12	12	12	100
Club Wholesale Meridian, Idaho	70	65	7.7	5	5	6	82
Wholesale Depot Ltd. Partners Natick, Mass.	6	0	—	0	2	6	60
Total:	$17,248	$13,476	28.0%	311	367	440	

[1]*Merged with Pace in 1990.*

Source: DSN research

The Wholesale Club, Indianapolis: *The chain's newest prototype, which opened in early 1989, will be rolled out to its new club locations this year.* (DSN photos)

Pace, Hatboro, Pa.: *One of the few membership warehouse clubs that have established a presence in the Northeast, Pace has begun to install interactive video kiosks chainwide.*

Shakeout Over? Several Chains Rebound in '89

Despite shots in the arm from booming camcorder, cellular telephone and home office equipment sales, it was a tight year for consumer electronics retailers. However, one of the industry's biggest names, Best Buy, rallied from two consecutive poor years, and others like Newmark & Lewis continued to come back from the bleak post-VCR years of 1987 and 1988.

On the other hand, 1989 also saw the swan song of two major chains, the scandal-ridden Crazy Eddie operation and Atari's Federated Group. Sears is reportedly looking at many of the Crazy Eddie sites in metro New York, and Silo snapped up several former Federated locations.

Another chain, New Jersey retailer Brick Church, toppled in early 1990, selling out to Newmark & Lewis. Early 1990 also saw an exodus of top management from the No. 2 chain, Silo, following parent Dixon's announcement that it was seeking buyers for the chain.

And other major retailers, most noticeably Highland Superstores and Audio/Video Affiliates continued to suffer throughout 1989, as margins dwindled and alternative distribution channels like full-line discount stores and office products superstores chipped away at the traditional consumer electronics market.

Sears has already had a large impact on the market (perhaps the Goliath's only unalloyed bright spot last year). Its Brand Central superstores, both within full-line Sears stores and stand-alone versions, appealed to consumers with improved service, hot brand names, the powerful Sears credit card, and exclusive and semi-exclusive product lines.

Montgomery Ward's Electric Avenue, too, competed successfully with traditional CE superstores, offering virtually the same products at attractive prices with generous credit terms. Together, these two concepts have "added" over 1,000 storefronts to an already overcrowded market.

Consumer electronics retailers have fought back in several ways. Some have added their own credit cards to take the sting out of the Sears threat. The major benefit, according to chairman Warren Hyman of Newmark & Lewis, which successfully premiered its card in 1989, is that consumers can charge an often expensive purchase without eating up their outside credit lines.

Several chains have also adopted a modified "everyday low price" strategy, offering guaranteed low prices and eliminating excessive haggling. On-floor bargaining, a hallmark of CE retailing since Crazy Eddie popularized the strategy, turned off older and wealthier consumers, who often just want a fair price, and don't want to see their purchase on sale for 20 percent less a week later. EDLP with guaranteed pricing seems to appeal to these older shoppers.

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Circuit City Richmond, Va.	$2,100	$1,721	22.0%	125	149	180	32
Highland Superstores Taylor, Mich.	924	911	1.4	84	93	92	24
Silo Philadelphia, Pa.	900	815	10.4	210	230	230	20
Best Buy[1] Minneapolis, Minn.	513	507	1.2	41	49	58	25
Tops Appliances Edison, N.J.	345	320	7.8	2	3	4	50
American TV Madison, Wis.	250	235	6.4	7	7	7	80
Newmark & Lewis Hicksville, N.Y.	246	238	3.4	52	50	68	10
Fretter Livonia, Mich.	225	231	(2.6)	52	56	61	12
The Wiz New York, N.Y.	200	235	(14.9)	26	26	27	12
The Good Guys San Francisco, Calif.	195	149	30.9	18	22	34	18
Wall to Wall Sound & Video Cinnaminson, N.J.	172	152	13.2	94	102	102	12
Trader Horn Hasbrouck Heights, N.J.	160	140	14.3	16	16	18	15
Audio-Video Affiliates Dayton, Ohio	144	196	(26.5)	125	73	80	10
Fred Schmid Denver, Colo.	105	100	5.0	19	19	20	12
Luskin's Baltimore, Md.	90	123	(26.8)	45	32	34	9
J & R Music World Brooklyn, N.Y.	85	67.5	25.5	2	2	2	100
Brick Church[2] Orange, N.J.	80	100	(20.0)	40	40	0	15
Total:	$6,734	$6,241	7.9%	958	969	1,017	

[1] 1989 sales are for 11 months due to change in company's fiscal year.
[2] Acquired by Newmark & Lewis in 1990.

Source: DSN research

And, several chains have differentiated themselves by concentrating on core (and surging) product groupings like component audio. The CD revolution has created a growing market for high-end amplifiers and speakers to take advantage of the improved sound of the compact disc. San Francisco's The Good Guys has established a selection of upscale (but discounted) audio components that would look at home in an A/V boutique, and other retailers are actively looking for premium brand names to call their own.

And let's not forget home office. While office supply superstores have cornered several major markets in the category, CE retailers have been successful as well. Consumers feel comfortable shopping for business electronics in the same place that they buy televisions, Good Guys president Ronald Unkefer noted recently. He credited phenomenal same store sales increases in fiscal 1989, in large part, to his company's entry into the home office market.

Early signs point to a successful 1990 for CE retailers, at least for those that survive the year. Best Buy has reported same store sales increases ranging from 7 percent to 15 percent this year; The Good Guys' record 25 percent increase in the quarter ended Dec. 31 was followed by a 24 percent increase in the next quarter; Newmark & Lewis, with its advertising now spread over 17 more stores and a whole new market, expects to snap its earnings back in line; Circuit City has been more than consistent after three terrific years; and localized chains such as J&R Music World and Fred Schmid have continued to compete successfully.

The industry has pretty much given up on finding a product to replace the VCR (although the fax machine has potential). Even if one arose, the profit potential would drop out of it so quickly, under present market conditions, that, far from a saviour, it could easily become an albatross, sucking up consumer dollars that otherwise might have gone to products with better margin structures.

One illustration: the digital audio tape recorder, introduced at roughly $1,500 this summer, will probably have dropped to $800 or less by the time significant shipments hit retail shelves this fall, and could sink as low as $500 by next spring.

The apex, or perhaps nadir, of this price deterioration has occurred in the cellular telephone business, where the telephones are sold at a considerable loss, which is then made up by a rebate from cellular service operators.

Newly named Newmark & Lewis president Ron Fleisher, commenting on the steady decline in prices and coincident rise in quality and features, wondered what would happen to the price of a car if the American automotive industry operated the same way as the consumer electronics industry. "A new car would probably cost $1,000," he said, "and it would be a great car."

Added a rueful cellular telephone supplier, "Yeah, but the gas would probably cost $500 a gallon."

The Good Guys, Stonestown, Calif.: *The chain's entry into the home office market is partly responsible for the huge same store sales gains reported last year.* (DSN photo)

A Handful of Toy Chains Post Gains in 1989

In the past few years, toy manufacturers struggled through hard times. Now the nation's toy retailers are toughing it out.

In a field of the 12 largest toy chains, only five recorded sales gains in 1989. Leading the way again was Toys "R" Us, the nation's No. 1 toy retailer.

Toys "R" Us posted an 18.3 percent sales gain and a double-digit rise in its operating income in 1989.

The nation's top toy retailer reported 1989 sales of $4.313 billion including its international division. TRU's U.S. toy stores generated $3.8 billion in sales last year. Operating profits surged 18.1 percent to $493.7 million.

The only other toy retailer to post increases in both sales and operating profits was Wisconsin Toys, now known as Value Merchants, operators of Toy Liquidators, Toys Unlimited and Everything's a $1.00 variety closeout stores.

With sales of $40 million, a 6 percent gain over 1988, Value Merchants posted a profit gain of 7.9 percent in 1989. The chain expects to add 20 new toy units this year, largely the result of the company's acquisition of Toy King's remaining 20 units.

Toy King was the lone fatality of 1989 in the toy chain industry. The chain closed its doors soon after emerging from Chapter 11 bankruptcy last spring. Prior to the bankruptcy, Toy King was a 60-unit chain with stores in factory outlet malls.

The other toy retailers posting sales increases last year were: Lionel Leisure, up 4.9 percent; K & K Toys, up 4.6 percent; Tons of Toys, operator of Toys 'n Toys 'n More, up 4 percent; and Child World, up 2.9 percent. All the others recorded sales declines ranging from 3.6 percent for Karl's Toys to 12.5 percent for Hobby Center Toys.

The sales gains at the five chains helped boost industry-wide sales to over $6.6 billion, up about 11 percent from 1988. The store count also grew last year to 1,753 units, up 9.4 percent from the previous year.

Many problems plagued the nation's toy retailers in 1989 including a soft national economy and weak holiday sales.

Those problems coupled with others affected many companies to varying degrees. Probably the chain most impacted by economic factors is Tons of Toys.

Tons of Toys was expected to emerge from Chapter 11 on June 28 and become part of the Merchants West organization of Long Beach, Calif., parent of Karl's Toys, Toys Plus and Toys Galore. The acquisition will total $3.5 million, said Bruno Ferretti, president of Tons of Toys, a 21-unit operation.

Despite the acquisition, Karl's Toys had a rough 1989. It suffered a 3.6 percent sales decline, to $27 million. It operates 25 stores and projected a year-end store count of 28 units. With the acquisition, Karl's Toys will become a 49-unit chain with sales of $43 million.

The economic forces also hampered Child World, the second-largest toy chain with $830 million in sales. Profits plunged to $5.8 million in 1989 from $12.6 million in 1988.

Earlier this year, Child World's parent, CNC Holdings, Cleveland, said it was looking for a buyer for part or all of its 82 percent equity in the 175-unit toy chain.

Some good things did happen to Child World in 1989, however, including the implementation of its new satellite communications network that linked all stores to the home office for all data communications, its updated POS system, and a new full size and small store prototype.

Lionel Leisure, the No. 4 chain in sales, fought off a hostile takeover bid by Robert Toussie Partners last year that cost the company dearly in 1989. Profits plunged to $525,000 from nearly $5.5 million the year before, the result of a soft business cycle which forced down gross margins plus the $1.6 million in legal fees associated with thwarting the hostile takeover.

Kay-Bee, a division of Melville Corp. and the third-largest toy chain, also had a tough time in 1989.

After 10 years of increases, the chain experienced a 13.9 percent store-for-store sales decline in 1989, according to analyst Bruce M. Missett of Oppenheimer & Co., New York. The chain, said Missett, was as hurt by a shortage of hot video games and management changes. However, he expects the chain to turn around this year and continue on the expansion track.

A particularly bright spot in Kay-Bee's future is the continued expansion of its Toy Works chain, freestanding supermarket-type toy stores positioned for strip malls.

Designed to help Kay-Bee grow beyond the parameters of the malls, Kay-Bee created Toy Works for small suburban and rural markets. Already a 27-unit chain, Toy Works stores range from 12,000 square feet to 15,000 square feet and offer Kay-Bee's full 8,000 sku's.

Toy Works has the potential to add $200 million in sales and $15 million in operating profits to Kay-Bee by 1993, said Richard Baum of Sanford C. Bernstein & Co., New York.

The bright spot in the toy business continues to be Toys "R" Us.

The toy chain will upgrade 30 stores in both 1991 and 1992 and add about 48 new stores this year, including its first units in Denver, Salt Lake City, Hawaii and New York.

Growing the chain outside the country is also a priority for TRU. The chain plans to open 25 stores abroad this year followed by 35 new units in 1991 including stores in Spain, Italy and Japan, new markets for the Paramus, N.J.-based toy chain.

In 1992, TRU will open in the Benelux countries and Australia.

So important is global expansion for TRU that anlaysts project the international division will approach 18 percent of total sales by 1995. By 1993, analysts Bernard Sosnick and Dorothy Lakner of the Deutche Bank Group, New York, project that TRU will open as many stores abroad as it does in the U.S.

This year the analysts said international toy sales will reach $750 million, a 40 percent gain from the $534 million recorded in 1989. TRU International accounted for 11 percent of total company sales in 1989, up from 1 percent in 1984.

Child World, Framingham, Mass.: *The chain updated POS systems and unveiled new prototypes.* (DSN photo)

Top Toy Specialty Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Toys "R" Us[1] Rochelle Park, N.J.	$4,313	$3,647	18.3%	358	404	449	46
Child World Avon, Mass.	830	807	2.9	163	174	184	36
Kay-Bee Pittsfield, Mass.	724	780	(7.2)	727	777	827	4
Lionel Leisure Philadelphia, Pa.	429	409	4.9	84	92	102	37
Circus World Toy Stores[2] Farmingdale, N.Y.	178	163	9.0	326	326	326	3
K & K Toys Norfolk, Va.	68	65	4.6	119	130	135	3
Toy Liquidators Milwaukee, Wis.	40	25	59.6	50	76	96	6
Karl's Toys Long Beach, Calif.	27	28	(3.6)	27	25	28	5
Toys 'N Toys 'N More[3] Wareham, Mass.	26	25	4.0	21	21	21	12
Toy & Sports Warehouse White Plains, N.Y.	9	10	(10.0)	6	5	5	17
Hobby Center Toys Holland, Ohio	8	9	(11.1)	27	24	2	2
Toy King[4] Orlando, Fla.	6	13	(52.0)	20	25	0	4
Total:	$6,657	$5,981	11.3%	1,928	2,079	2,194	

[1]Toys "R" Us: Sales include international toy stores (U.S. only toy store sales were approximately $3.8 billion in 1989); store counts are U.S. only
[2]Circus World: Formerly Greenman Bros.; Also operates Playland and Playworld chains.
[3]Toys 'N Toys 'N More: Reorganization under Chapter 11 expected to result in merger with Merchants West, Long Beach, Calif.-parent of Karl's Toys.
[4]Toy King: Toy King has been liquidated.

Source: DSN Research

Kmart Acquisition Highlights Superstore Trend

Growth of Herman's stalled last year while its new British parent looked for a buyer.

Nevertheless, Herman's managed to hang onto its title as the nation's No. 1 sporting goods retailer, while Thrifty Corp. breathes down its neck.

While Herman's executives were preoccupied with their future, Thrifty Corp. continued to grow, drawing close to nudging Herman's out of the No. 1 spot.

In another major development, No. 3, Oshman's called off last December an attempt to find a buyer after it failed to get an acceptable offer and instead will concentrate on restoring profitability.

Herman's sales remained flat at $680 million in 1989, and it added only six new stores for a year-end count of 266 while Isosceles Partners sought a buyer. Isosceles took over Herman's previous British parent, Gateway, in a hostile raid and announced it would sell Herman's.

Isosceles then changed its mind about selling Herman's and now is rebuilding the chain by remodeling 50 stores in 1990 and restoring a modest store expansion program of 15 units.

Meanwhile, Thrifty Corp., a subsidiary of Pacific Enterprises, an oil and gas concern, hasn't been standing still, even though it took a breather last year from growth through acquisition. Although Thrifty refuses to divulge any information about its sporting goods chains, except for store count, estimates put Thrifty's 1989 sporting goods sales at $660 million. It plans to open 24 new stores in 1991, on top of 23 in 1989, for a year end total of 290.

Thrifty has grown rapidly by acquiring other chains: Big 5, MC Sporting Goods, Gart Bros., Brown's, Casey's, Parks Sports, Hagens, Jerry's, Stevens, Dave Cook's and Mages. It managed to go a whole year without acquiring another chain, though, and store expansion in 1989 came internally.

The other big news in sporting goods, of course, is that K mart acquired Sports Authority this spring for a reported $65 million and plans to open up to 15 new 40,000-square-foot superstores a year.

Sports Authority will expand out of its Sun Belt base when the chain opens four stores this summer in Philadelphia, part of 10 new openings for 1990. Sports Authority also plans to open two stores this year in another new market, Baltimore. Next spring it plans to open in two more new markets, Phoenix, Ariz., and Las Vegas, Nev.

In buying Sports Authority, K mart killed Sports Giant, its infant entry into the sporting goods warehouse club field, and next month will convert the two Sports Giant clubs in Michigan to the Sports Authority format.

Founded by Jack Smith, former chief operating officer for Herman's, Sports Authority grew from one store in Fort Lauderdale in 1987 to eight last year. Estimated sales in 1989 were $65 million.

On an annualized basis, each Sports Authority unit does about $10 million, with a breakeven of about $7.5 million.

As it did with its Builders Square home center subsidiary when it bought the expertise of founder Frank Denny, K mart purchased the sporting goods expertise of Smith and his management team by locking them into a contract that forces them to remain for about five years if they want to get paid for their stock. K mart scrapped its own Sports Giant management team led by president Charles White, who transferred Builders Square.

Deep pockets also back Sports Unlimited, Tampa, another emerging Florida-based superstore chain that changed hands over the past year.

Investcorp, an international holding company based in Bahrain, London and New York, paid $40 million to acquired a 65 percent controlling interest in Sports Unlimited last September and is bankrolling its expansion.

Founded in 1979, Sports Unlimited opened 1989 with seven stores and ended it with four new units for a total of 11. It plans to add eight of its 45,000-square-foot stores this year.

President Jim Bradke said his chain earned profits of $5.3 million in 1989 on sales of $59 million, an increase from profits of $4 million in 1988 on sales of $45 million.

Several chains appear to have settled upon 40,000 square feet as the prototypical size needed for a full-line sporting goods store. Sports Town president Tom Haas said the 11-store, Atlanta-based chain has downsized its prototype by 10,000 square feet, from 50,000 square feet, in order to carry the broad spectrum of athletic shoe and apparel brands available, as well as increased sku's in exercise and water sports.

Academy Sports, Houston, and Sportmart, Niles, Ill., both are also opening nothing but 40,000-square-foot stores.

Champs Sports, the rapidly growing specialty chain of Woolworth, packs "whatever new products are on the leading edge of style" in its 5,000-square-foot mall stores, according to Harold Rowan, president and chief executive officer of Kinney Shoes. "You have to keep lines tight, handling only the hot items that move in and out."

Champs is sticking to its announced game plan of opening at least 50 stores a year, with ambitions of becoming the largest sporting goods retailer in the nation. It added 65 in 1989 for a year-end count of 199 and plans to open 55 more in 1991.

Oshman's, Easton, Texas, scrapped its SuperSports U.S.A. chain as a separate merchandising concept last year, ended its everyday low price policy and merged its buying staff into regular store operations to reduce costs. Oshman's retains the name, however, on four stores of 30,000 square feet and up, including a gigantic 85,000-square-foot SuperSports store it opened this March in its hometown.

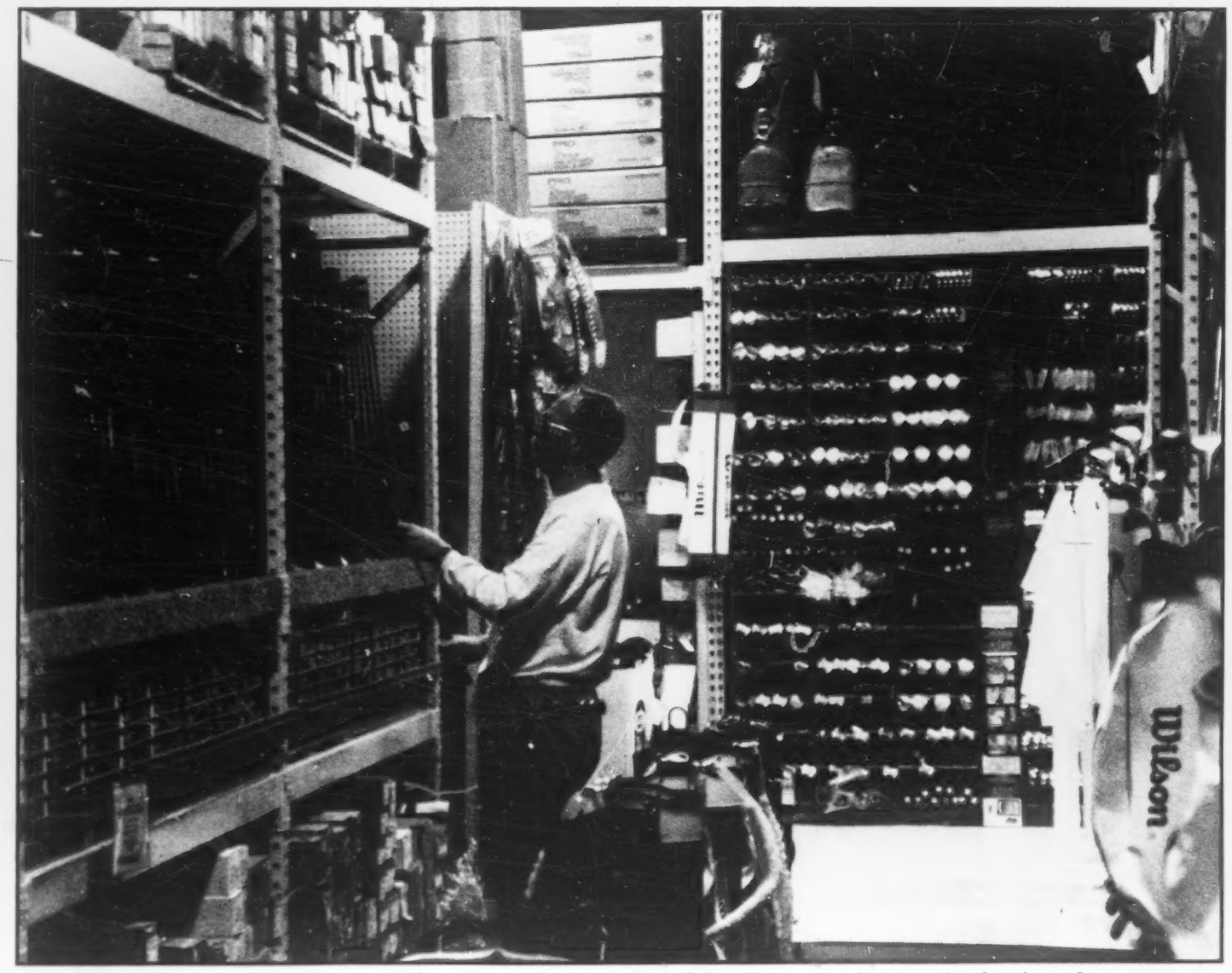
Store count for Oshman's remained flat at 193 for the year, and the chain posted an operating loss of $1.5 million for 1989, compared to operating profit of $7.8 million the previous year. Sales grew marginally to $317.2 million from $304.6 million.

Despite the emergence of national giants, small sporting goods chains, such as Modell's, New York, and Irvings, Springfield, Va., appear to be competing successfully in their local niches.

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Herman's Carteret, N.J.	$ 680	$ 680	0.0%	260	266	281	10
Thrifty Corp. Los Angeles, Calif.	660	615	7.3	233	256	290	NA
Oshman's Easton, Texas	317	305	3.9	193	193	200	11
Sportmart Niles, Ill.	190	165	15.2	21	24	24	40
Champs Sports Bradenton, Fla.	120	88	36.4	134	199	254	5
Academy Houston, Texas	97	82	18.3	24	25	32	25
Modell's Sporting Goods East Meadow, N.Y.	80	71	12.3	23	31	36	15
Sports Authority Fort Lauderdale, Fla.	65	40	62.5	4	8	18	40
Sports Unlimited Tampa, Fla.	59	45	31.1	7	11	19	45
Sports Town Atlanta, Ga.	50	22	127.3	6	11	14	50
Irving's Sport Shops Springfield, Va.	18	16	12.5	17	19	21	4
Total:	$2,336	$2,129	9.7%	922	1,043	1,189	

NA—not available *Source: DSN research*



Sports Authority, Clearwater, Fla.: *Recently purchased by K mart, Sports Authority plans to open 40,000-square-foot superstores in such new markets as Phoenix, Ariz., and Las Vegas, Nev.* (DSN photo)

Western Auto Leads Aftermarket Chains

Western Auto, which Sears acquired in 1988, solidified its grip on the No. 1 sales spot in the automotives aftermarket last year, while Pep Boys—Manny, Moe & Jack edged the troubled Northern Automotives group out of second place.

In another development, the wholesale club concept gained a toehold in the automotives aftermarket over the past year, with two clubs opening in California and another attempting to raise public money to open on New York's Long Island.

Western Auto met its target goal of opening 40 to 50 stores a year, opening 44 new units last year of about 15,000 square feet. It is shooting for another 40 to 50 in 1990.

Operating in all 48 contiguous states, Western Auto remains the only national automotives chain.

Sales last year increased about $100 million to $1.2 billion from $1.1 billion in 1988. Sales include wholesale revenues from supplying an ever decreasing number of individually owned, associate stores, about 350 company-owned stores and 138 Tire America and NTW tire specialty stores Sears acquired along with Western Auto.

The number of Western Auto associate stores, often rural, mom & pop operations, fell further last year to 1,192 from about 1,400.

Philadelphia-based Pep Boys opened 42 new stores of 22,000 square feet in 1989, boosting store count to 281. In 1990, it plans to open 37 to 40 more, which will fulfill its five-year goal of doubling its size in five years.

Pep Boys is closing its small, "dry" stores that lack auto service in favor of auto superstores that also offer service, the most profitable component of Pep Boys sales. Auto service accounted for 11.9 percent of sales in 1989, an increase from 10.6 percent in 1988.

Each new unit includes 5,000 square feet of service area in eight to 10 bays.

Pep Boys sales rose to $798.7 million from $655.9 million in 1988. That ranks No. 2 in sales ahead of Northern Automotive, which said its sales totaled $763 million in 1989, compared with $737 million.

Earnings before taxes for Pep Boys slipped in 1989, however, to $55.1 million from $60.2 million the previous year. An increase in interest expense to $18 million to finance store expansion from $11.2 million more than accounted for the decline.

As a percentage of sales, operating profits slipped further to 8.6 percent from 10 percent in 1988 and 10.5 percent in 1987.

Top Automotive Specialty Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Western Auto Kansas City, Mo.	$1,200	$1,100	9.1%	424	468	518	7
Pep Boys Philadelphia, Pa.	799	656	21.8	243	281	319	19
Northern Automotive Phoenix, Ariz.	763	737	3.5	873	828	850	6
AutoZone Memphis, Tenn.	535	440	21.6	441	511	550	5
Chief Auto Parts Dallas, Texas	375	325	15.4	479	503	535	3
Whitlock Des Plaines, Ill.	285	260	9.6	252	280	NA	9
Trak Auto Landover, Md.	276	243	13.6	274	308	NA	6
Nationwise Columbus, Ohio	270	262	3.1	267	270	290	6
Grand Auto Oakland, Calif.	200	190	5.3	135	134	140	6
Total:	$4,703	$4,213	11.6%	3,388	3,583	3,202	

Source: DSN research

At presstime, Northern Automotive still was operating without a chief executive officer and searching for a successor for John Lacey.

Lacey left suddenly this March as did his predecessor, Dan Siewert, in October 1988. Upon Lacey's abrupt departure, Julius Trump, one of two investor brothers who owns Northern Automotive, took over as acting ceo.

Under Lacey, whom Trump lured from his position as head of Molson's retailing operations in Canada, store count fell last year to 828 from 873 for the chains that comprise Northern Automotive: Schuck's, Checker, Kragen, Crown and Autoworks.

Lacey's prime mandate was to merge the newly acquired Autoworks and Crown chains, both money losers, into the rest of the system and restore Northern Automotives rapidly disappearing operating profits.

Northern Automotive declined to disclose its operating results for 1989.

***Above, the Pep Boys** is closing its 'dry' stores in favor of superstores which offer auto service, its most profitable factor.* (DSN photos)

***At right, Pep Boys** added 49 new stores in 1989, for a total of 281.*

It expects store count to increase by 22 this year to 850.

The sale of Whitlock, which was to be the big acquisition story over the past 12 months, remains a gleam in the eye of its new British owner, Boots.

Following a hostile takeover last year of Whitlock's previous British parent, Ward White, Boots put Whitlock on the block to pay down debt.

In March, Merrill Lynch Capital, New York, signed a letter of intent to acquire Whitlock, purportedly for $150 million, along with an unidentified operating partner. Whitlock officials steadfastly refuse to comment on the status of the deal, but the chaotic state of the American junk bond market provides one explanation why the deal hasn't closed.

Whitlock previously acquired the Rose Auto chain in Florida and the R&S Strauss chain in New Jersey.

The honor for opening the first warehouse club for the general public goes to Auto Club, which opened two in the San Diego market and hopes to open two more this year.

Warehouse club entrepreneur Robert McNulty followed with one unit of his new Auto Giant chain in San Bernardino, Calif. Auto Giant to open four more this year, including units in Huntington Beach and Sacramento, also in California.

McNulty also has formed Auto Depot, New York, and filed to go public to raise money to open two stores on Long Island.

All three clubs base their operation on stores of at least 50,000 square feet and charge membership fees.

AutoZone, Memphis, Tenn., continued its unheralded growth last year by emulating Wal-Mart in its early years. It seeks out untapped, rural markets where it won't face the fierce competition that other chains face, say, Chief Auto and Pep Boys in Los Angeles.

AutoZone, formerly Auto Shack until Radio Shack sued, added 70 new stores last year for a year end total of 551 and plans to open 39 more in 1990.

Sales last year rose to $534 million from $440 million.

Chief Auto appears to be weathering its 1988 leveraged buyout without obvious signs of financial distress. Store count grew to 503 in 1989 from 479, with 32 more planned in 1990. Sales rose to an estimated $375 million from $325 million.

Among automotives chains, Chief has grabbed the lead in environmental matters, rolling out a chainwide program to recycle lead-acid, car batteries and expanding to 50 more stores its new policy of accepting used motor oil from do-it-yourself customers for recycling.

Office Megastores Poised for Explosive Growth

WORKplace president Steve Westerfield may have put it best when he noted earlier this year that the office superstore industry is in the same stage of development as consumer electronics superstores were a decade ago. That was a couple of years before the VCR boom, when the industry just took off.

Unfortunately, the VCR boom didn't last. Today, many of those CE chains are gone; merged with other chains or bankrupt, and many more are struggling. But five or six have risen to national prominence, with Circuit City generally considered one of the best-run retail businesses in the country. And a lot of people, despite later failures, made a lot of money during the boom years.

Westerfield and others feel that the facsimile machine will be the equivalent of the VCR for office superstore operators, and that personal computers, now demystified in the eyes of most consumers, will become almost as omnipresent. And, as the boundaries between business and entertainment products continue to blur, other business-only products (like personal copiers and cellular telephones) will quickly invade the consumer market.

Certainly, that has been the experience of most of the infant office products industry, which is exploding in both store count and total sales. When these stores first opened less than five years ago, their potential was in question. Since then, several million Americans have opened home offices, and small businesses have combined with home office consumers to designate office superstores as the distribution channel of choice.

The future potential continues to look bright. A key has been a slow move into upscale, essentially consumer products. Office Stop, for one, has clicked with a selection of exclusive leather goods, from briefcases to luggage. Most chains sell a large selection of pocket reference devices that have as much consumer appeal as anything. And, as stores get bigger, a wider selection of traditional consumer electronics with business applications (such as combo TV/VCR units) is a likely expansion area.

Like warehouse clubs, office superstores will probably become ever more adept at pure consumer merchandising, appealing to their business members as consumers as much as businessmen. Hence, an extensive selection of executive toys, high-end pens and pen sets, computer peripherals and computer game software, and so on have become an essential part of the business. These outlets could quickly cut into the sales of traditional upscale retailers, executive catalogs and specialty stores like The Sharper Image. Their buyers have mass market clout, but have proven to be adept at gaining product lines not normally sold to discounters.

Also ever more important is size. Early on, stores averaged 15,000 square feet to 20,000 square feet. Today, the average new store runs more in the vicinity of 30,000 square feet. That allows not only an increased sku count, but more room for creative merchandising, wider aisles, and special promotional events. Much like a traditional retail store.

Staples, which founded the industry, continued to grow (nearly doubling its store count to 38 from 22) in 1989, but the real growth came from Office Depot, which added 41 stores to its existing 26 in the past year, and Bizmart, which grew from 10 to 31 units in 1989. Both have recently increased the size of their stores to the 25,000-square-foot to 30,000-square-foot range. Other rapid growers were Office Club, HQ and OW Office Warehouse.

In sales, Office Depot is an unchallenged No. 1, with $314.6 million volume last year. Staples held second place, at $182 million, with BizMart and Arvey also above $100 million.

Sales, of course, are deceptive in a start-up industry, but they do reflect a very real fact—consumers like the format. However, with rapid expansion (store count doubled last year), profitability, due to immense opening expenses, tax credits and so on, will probably not be determinable in the near future for most chains.

However, industry sources indicate that the ramp to profitability is relatively short, with stores turning a small profit within a few months. Part of the secret: office superstores can offer dramatic discounts against traditional office retailers while still maintaining healthy margins in mass market terms.

Lofty Sales Per Square Foot

Also, because most shoppers are buying for their businesses (and hence, in quantity), average tickets tend to be high, generating sales per square foot that are more than double (at a minimum) those of traditional discounters. This trend has been particularly visible in the sale of upscale, gift-type business products like $100 pens, personal electronic organizers, spell checkers, leather goods and so on, which are often purchased in quantity as gifts for business acquaintances and clients.

Industry vendors have not been slow to recognize the potential of the office superstore. Brown case goods are now swirled in eye-catching colors, with clear, concise product descriptions. Suppliers like Pelikan, Fuji, Royal and many more have developed programs aimed explicitly at the superstore.

That trend will continue. At CES this summer, many suppliers introduced new packaging or merchandising programs to appeal to superstore operators. As home office counts continue to build, and chains expand their product assortments, the industry should grow in geometric proportions for at least the next two years.

At that point, three or four clear winners should emerge from the pack, bringing on a wave of mergers and acquisitions (the first stage of shakeout occurred this year, with Office Shop Warehouse, Office World and Jaffe's ceasing operations). Today's strategy, to establish your chain in at least one major market so you'll have at least one large bargaining chip when merger time comes, will give way to an invasion of secondary and even semi-rural markets, and at least a couple of years of rapid growth.

So the race to establish chains as ongoing businesses (and hence, more attractive merger and acquisition candidates) has continued apace, with some particularly brutal infighting among chains that compete directly, as is the case with WORKplace and Office Depot and Staples and Office Stop. Look for more jockeying for position in 1990/91.

Office Supply Megastores

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Office Depot Boca Raton, Fla.	$314	$32	137.9%	26	67	125	25
Super City Tucson, Ariz.	231	100	131.0	16	37	73	15
Staples Newton, Mass.	182	98	85.7	22	38	70	19
BizMart Arlington, Texas	133	34	291.2	10	31	57	22
Office Club Concord, Calif.	126	51	147.1	15	37	89	20
Arvey Paper & Office Products Chicago, Ill.	100	100	0.0	36	36	41	17
OW Office Warehouse Virginia Beach, Va.	95	0	—	2	12	28	25
WORKplace St. Petersburg, Fla.	41	25	64.0	5	5	15	30
HQ Office Supplies Warehouse[1] Long Beach, Calif.	39	0	—	0	13	29	27
The Office Place Boulder, Colo.	38	25	52.0	6	11	19	6
O.P. Club Phoenix, Ariz.	30	15	100.0	6	12	32	20
Jaffe's[2] Miami, Fla.	28	40	(30.0)	10	7	0	20
Office Shop Warehouse[3] McKeesport, Pa.	25	15	66.7	6	0	0	15
Office Max Solon, Ohio	20	15	33.3	14	18	48	25
Office World[4] Great Neck, N.Y.	20	10	100.0	4	8	0	25
The Paper Cutter Liverpool, N.Y.	18	15	20.0	14	17	23	12
National Office Warehouse Columbus, Ohio	11	7	50.0	2	3	6	13
Office Square San Antonio, Texas	10	5	100.0	2	4	14	25
Action Indianapolis, Ind.	10	11	(9.1)	5	4	4	20
Office America Richmond, Va.	7	6	16.7	5	12	20	20
Office Stop[5] San Antonio, Texas	0	0	—	0	1	5	30
Total:	$1,477	$704	109.8%	206	373	698	

[1] Opened first store in 1989.
[2] Parent Abitibi-Price began liquidation of Jaffe's in April 1990.
[3] All units closed in December 1989.
[4] Acquired by Office Max in 1990.
[5] Opened first store in 1990.

Source: DSN research

Top Deep Discount Drug Chains Hit Billion

Both giants of American discounting, K mart and Wal-Mart, have left deep drug discounting over the past 12 months—even as two deep discount chains, Phar-Mor and Drug Emporium, joined the $1 billion sales club.

Yet, unfazed at the prospects of doing battle with the deep discount drug Goliaths, a Daytona Beach, Fla., investor group, announced plans to open Aug. 1 a new deep discount drug store that will operate on margins as slim as 15 percent.

The promises—despite the pitfalls of deep discount drug operations—persuaded S.E. Nichols to cease full-line discount store operations earlier this year and to begin converting to a deep discount drug merchandising format in attempts to restore profitability.

Out of its 34 remaining stores, Nichols had converted six to deep drug units called Pharmhouse before debt service problems began casting doubts on the chain's ability to complete the conversion, much less survive as an ongoing business (see story, *DSN*, June 18, 1990, page 2).

Nichols previously operated pharmacies in 17 of its 34 units, so it had gained experience in drug store operations.

Nichols announced last month, though, that it is unable to meet debt interest payments due June 1 and Sept. 1 and may file for Chapter 11 protection if unable to restructure debts.

Just as Nichols was moving into deep discounting, Wal-Mart was giving up on deep discount drug operations. It ended a two-year effort to find a buyer for its 14-unit dot deep discount drug chain. Selling dot to a management team, Wal-Mart is concentrating on in-store pharmacies. Out of 1,405 Wal-Mart stores at the beginning of the year, 950, or 68 percent, operated pharmacies.

That compares with 1,125 pharmacies in 2,167 K mart stores, for a 52 percent rate.

K mart's Pay Less NW drug

(Continued on page 87)

Top Deep Discount Drug Store Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90
Phar-Mor, Youngstown, Ohio	$1,300	$ 790	64.6%	112	165
Drug Emporium, Worthington, Ohio	1,050	880	19.3	170	195
F & M, Warren, Mich.	554	402	37.8	66	75
Pic N' Save Drug Stores, Jacksonville, Fla.	410	340	20.6	41	41
Marc's, Middleburg, Ohio	245	197	24.4	15	19
Rockbottom, Port Washington, N.Y.	220	200	10.0	26	27
Freddy's, Woonsocket, R.I.	162	130	24.6	18	25
Drug Palace, Shiremanstown, Pa.	81	78	3.8	40	40
dot, Bentonville, Ark.	74	70	5.7	14	14
A.L. Price, Pontiac, Mich.	54	49	10.2	14	16
Rx Palace, New York, N.Y.	53	46	15.2	8	11
Drug World, Cincinnati, Ohio	39	32	21.9	9	13
Cost Cutters, Somerville, N.J.	36	42	(14.3)	10	8
Sid's, Hudson, Ohio	30	28	7.1	7	7
Drugs for Less, Bessemer, Ala.	16	10	60.0	NA	NA
Total:	$4,324	$3,294	31.3%	550	656

NA—Not available

Source: Drug Store News, *Chain Drug Survey and* DSN *research*

Hypermarkets in the United States

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	% Chg.	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Hypermart USA Bentonville, Ark.	$ 367	$275	33.5%	3	3	4	220
Bigg's Cincinnati, Ohio	200	150	33.3	3	4	4	200
Wal-Mart SuperCenter Bentonville, Ark.	140	80	75.0	2	3	6	195
American Fare Troy, Mich.	80	0	—	0	1	3	175
Big Bear Plus Columbus, Ohio	79	75	5.3	4	4	4	100
Carrefour Philadelphia, Pa.	65	60	8.3	1	1	2	170
Twin Valu Minneapolis, Minn.	60	0	—	0	1	2	180
Auchan Woodridge, Ill.	50	5	900.0	1	2	2	170
Total:	$1,041	$645	61.4%	14	19	27	

(See story, page 93)

Source: DSN *research*

Top Dollar Discount Store Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	% Chg.	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Family Dollar Charlotte, N.C.	$ 757	$ 669	13.2%	1,500	1,600	1,700	7
Dollar General Scottsville, Ky.	615	613	0.3	1,307	1,378	1,478	6
Bill's Dollar Stores Jackson, Miss.	245	191	28.3	400	500	560	6
Bargain Town Montgomery, Ala.	55	51	7.8	60	62	62	14
Total:	$1,672	$1,524	9.7%	3,267	3,540	3,800	

(See story, page 97)

Source: DSN *research*

Top Variety Store Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	% Chg.	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Woolworth New York, N.Y.	$2,169	$2,097	3.4%	1,117	1,061	1,091	NA
McCrory York, Pa.	1,372	1,391	–1.4	1,240	1,063	1,080	12.5
Fred's Memphis, Tenn.	267	280	–4.6	201	187	187	10
Sprouse Portland, Ore.	223	216	3.2	310	287	270	16
Ben Franklin Carol Stream, Ill.	341	338	0.9	1,200	1,275	1,290	10
Winn's Stores San Antonio, Tex.	150	148	1.4	210	200	NA	13
Total:	$4,522	$4,470	1.2%	4,278	4,073	3,918	

(See story, page 95)

NA—Not available

Source: DSN *research*

Top Closeout Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	% Chg.	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Consolidated Stores Columbus, Ohio	$ 609	$ 627	(2.9)%	308	336	356	28
Pic 'N' Save Carson, Calif.	475	402	18.2	155	190	210	20
Bargain Time Oklahoma City, Okla.	160	0	—	0	190	180	11
Tuesday Morning Dallas, Texas	98	82	19.5	101	114	131	8
Building #19 Hingham. Mass.	90	80	12.5	9	9	10	80
Odd Job Trading New York, N.Y.	69	60	15.0	16	16	17	18
Everything's A $1.00 Virginia Beach, Va.	40	26	53.8	55	60	105	3
Total:	$1,541	$1,277	20.7%	644	915	1,009	

(See story, page 99)

Source: DSN *research*

DISCOUNT INDUSTRY ANNUAL REPORT

Sears Weathering Bumpy EDLP Transition

It's a slow process, but the battleship seems to be turning. That's the simile most often employed when referring to Sears' switchover to a brand-driven, everyday low price retailer; it is, pundits say, like turning a battleship around in a river.

Despite the hit Sears took in the first year of EDLP, when its core of bargain-hunting customers deserted in droves and competing retailers, worried by the turn of events, turned the conversion into a price war, the retailing giant seems to have established its Brand Central consumer electronics departments as competitive, profitable specialty retailers.

But the company had several advantages. In white goods, it already had a premiere brand name, Kenmore, that is its alone. Sears' credit card is in the hands of millions of consumers. It has an impeccable reputation for making consumers whole if a product doesn't live up to expectations. And it has some of the most desirable retail locations in the United States.

Sales Remain Sluggish

Nevertheless, those advantages have not helped its other retail categories much. Apparel, in particular, is still staggering, and sales in almost all other departments have been depressed.

A large amount of the blame lies in the company's overnight adoption of everyday low price, a strategy that has been very lucrative for retailers as varied as Wal-Mart, Toys "R" Us and Price Club.

However, all of these were innovators in their class of trade. Also, none of them had to switch over long-established stores overnight. Wal-Mart started with one product, motor oil, and slowly built up the strategy through word of mouth. Once consumers became convinced that (a) the price really was low; and (b), that they wouldn't see it any lower at Wal-Mart, sales took off.

The abrupt change had other negative ramifications. Sears customers had become conditioned, through decades of shopping, to wait for sales before buying. In a post-EDLP lawsuit, for example, New York Attorney General Robert Abrams charged that of thousands of vacuum cleaners sold in the past year, only a handful had been sold at list price. Over 99 percent were sold at sales prices that ranged from the new everyday low price to considerably lower. Those sale shoppers bailed out early.

The onslaught of shoppers brought out by Sears' advertising blitz also had a negative impact. Ironically, the crowds negated one of EDLP's most attractive features; by evening demand (no sales period), shoppers are more likely to avoid heavy crowds in peak periods. The blitz raised exactly the opposite perception, and a lot of potential customers never came back.

The crowds also negated another benefit, increased service theoretically made possible by more even demand. No one could explain to a shopper why the everyday low price

(Continued on page 91)

Sears U.S. Full-Line Store Results

Sales (in bil)		Percent Change	Earnings (in mil)		Percent Change	Number of stores to be remodeled	Store Count			Sales per sq. ft.
1989	1988	89-88	1989	1988	89-88	1989	1/89	1/90	1/91	1989
$19.5	$19.1	2%	$483	($312)	—	300	824	847	876	$347

Sales represent U.S. multi-department store sales only; Earnings are operating income from continuing operations before taxes and extraordinary items for Sears Merchandise division.

Source: DSN research

He's got a new look, a new price, a new personality that's hot.

Yeah, you're gonna like what he's got.

He's a lean, mean, High-Performance machine. Cleans it all, wall-to-wall, but doesn't cost a lot.

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He's got big bucks behind him on TV:

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Sears Weathers Transition

(Continued from page 89)
was, in the long run, more advantageous than the old sale price. More customers walked.

Retail sales took a hit, and Sears wavered in its commitment to EDLP, boosting advertising (an EDLP no-no) and even featuring sale merchandise in-store.

The mixed messages seem to be at an end, though, and Sears has settled in for the long haul.

Lured by the success of the Brand Central departments, consumers seem to be returning to Sears' aisles. Its challenge will come over the next year as it rolls out upgraded power formats in its often dowdy apparel departments.

Meanwhile, the company will reap at least some of the rewards of EDLP. It will have a more predictable level of inventory, reducing out-of-stocks and overstocks, and its advertising and promotional budget should be slashed. The recapture of lost sales due to fewer out-of-stocks and reduced expenses should fall to the bottom line.

In fiscal 1990, Sears Merchandise Group sales rose only 3 percent, to $28.8 billion from $27.8 billion a year ago.

However, the actual amount of sales out of Sears U.S. full-line department stores remained, at $19.4 billion, essentially flat. As a percentage of sales in the Merchandise Group, department store sales actually declined, to 77.8 percent from 79 percent a year ago (and 81.6 percent the year before that).

Operating income, however, rebounded from a loss of $312 million in 1988 to a $483 million gain in 1989. Sears did not indicate how much of that profit was produced by the stores, as opposed to its direct marketing, specialty store and credit operations. However, operating profits are still well below historical levels.

Sears has taken a beating in the press, both consumer and trade, for its half-hearted adoption of EDLP. However, the powerhouse seems to have recaptured some of the old Sears magic. It has marshalled its many strengths (including unrivaled buying clout) to once again fill its stores with desirable merchandise at reasonable prices.

Sears promises to be even more competitive in the coming year. Brand Central will be omnipresent in Sears stores later this year (it has already reached over 600 stores), and other power formats will be rolled out as well. The company will also explore more specialty store operations, possibly going the acquisition route.

K mart and Wal-Mart may be generating more sales out of their U.S. full-line stores at present, but don't count Sears out yet.

Changes in Deep Drug Discounting

(Continued from page 87)
store subsidiary also gave up on deep drug discounting last year, closing the last two Value Giant discount units in Hayward, Calif. That administered the coup de grace to a deep discount concept Pay Less had launched in 1986.

In 1988, it had closed 10 deep discount units operating in the southwest under the name Wonder World.

All 290 Pay Less NW drug stores now follow a conventional pricing policy. Pay Less itself is more than a typical drug store. It carries a broader range of general merchandise goods, including apparel, than other drug chains.

Perry Drug reportedly has lost interest in its 16-unit deep discount chain, A.L. Price, and may be looking for a buyer.

To the contrary, Phar-Mor continues its explosive growth. Having added 50 new stores in 1989 for a year end total of 164, Phar-Mor plans to open more than 70 in 1990 and a similar number next year, pushing store count to more than 300.

The total count for deep drug units approaches 1,000, what with the 45 percent increase at Phar-Mor, No. 1 in sales, to 164 units and a 19 percent gain in Drug Emporium to 195, of which 80 are company-owned and 115 are franchised units.

Phar-Mor, Youngstown, Ohio, now operates in 18 states and pushed to the eastern seaboard last year by opening a 60,000-square-foot unit in Franklin Mills, a 1.1 million-square foot off-price mall in Philadelphia. Other new markets ranged from Detroit to Denver and Phoenix.

The total also reflects the entrance of two more conventional drug chains into the deep discount field. Genovese launched its Great American deep discount chain with two units in 1989, and Harco opened its first Drug Mart in Tuscaloosa, Ala.

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Hypermarkets Adapting to American Preferences

Reports of the death of the hypermarket in the United States may have been exaggerated. While growth of the concept has been significantly below early projections and while several (mainly foreign-owned) hypermarkets have struggled over the past two years, a new American-style hypermarket seems to be arising. And, it appears, the revamped look has met with a degree of success.

The first round of hypermarket openings in the United States concentrated on pure size. Wal-Mart's Hypermart USA and Bigg's early units all topped 200,000 square feet, and Auchan, K mart's first American Fare and Carrefour all came close to that figure.

The original concept also included severely limited sku counts, concentrating on most-wanted items stacked high and at market-lowest prices.

In Europe, which has some 40 years of experience with the hypermarket, and where the hypermarkets' only competition is, generally speaking, the local specialty store, shoppers are accustomed to shopping the massive combination stores for staples, filling in other items in their village or neighborhood.

Americans, however, expect more convenience and selection. And after a brief curiosity period, they clearly said that the stores were too big and intimidating. And much too difficult to get into and out of.

Retailers are, if nothing else, quick to sense the mood of their shoppers, and Wal-Mart and K mart reacted quickly. Both have downsized to a degree, opened up sightlines and increased sku counts significantly. While Wal-Mart didn't go as far as folding its purer hypermarkets into its smaller, higher-sku Super-Center format, it did rename the stores (Wal-Mart's Hypermart USA) and tripled the general merchandise sku count to 120,000.

K mart, similarly, downsized its newer American Fare hypermarkets, and now refers to both them and its smaller Super K mart grocery/general merchandise super centers in the same breath.

ShopKo, a relative latecomer to the field, seems to have learned from its larger competitors (and its parent Super Valu's involvement with the early Bigg's concept). Its Twin Valu stores, while large, seem much more like traditional discount stores than do either Hypermart USA or American Fare. With the exception of a central bargain wall, sightlines are noticeably lower than in other hypermarkets, and the sku count in most departments is considerably higher. Where most competitors settled on bold, futuristic design and color schemes, Twin Valu opted for subdued, pastel colorations and a traditional racetrack formulation. The result: in less than a year of operation, Twin Valu quickly reached performance levels similar to its more established rivals.

However, of all hypermarkets (with the exception of longtime localized quasi-hypermarket retailers Meijer's and Fred Meyer), only the Wal-Mart version has actually reached sales requirements. Estimates vary, but at the traditional hypermarket margin of 15 percent, some $75 million per unit per year is required to make the effort worthwhile. Most units nationwide are taking in only $50 million or so, and many are selling way too much low-margin food and not enough higher-margin general merchandise.

The future of this form of retailing seems to be in lower-cost, smaller-size and slightly higher-margin versions of the hypermarket model. The ideal market seems to be far enough outside a major metro area to draw from surrounding rural and semi-rural populations. Wal-Mart's success, with locations spotted outside major cities like Dallas and Kansas City, is a good example. Shoppers at the chain's Garland, Texas, location, for instance, can drive in from out of town, then quickly get back on major highways without having to deal with downtown Dallas traffic.

Last year, total hypermarket sales rose a healthy 61 percent, although units rose sharply as well. Now a $1 billion industry, the category should continue to grow in large leaps.

However, the concept will probably not grow at any-

(Continued on page 100)

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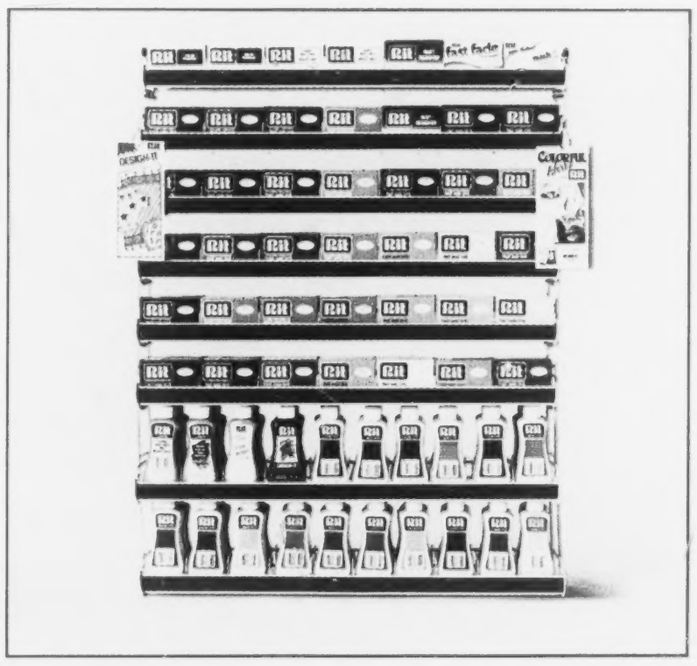

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Variety Stores Need New Look for the '90s

Variety store chains will need to update their store design and merchandise selection if they are to regain profitability, the financial facts suggest.

An analysis of the sales and profit performance of leading variety store operators over the past decade indicates variety store formats must evolve beyond their nickel and dime store design and selection if they are to survive competition from discount and dollar stores.

The United States is littered with variety stores that look the same as the day they were built. As the customer base and competitive environment has grown up around these stores, most of the locations have done little more than age in appearance.

Woolworth and Ben Franklin are the only two major variety store operators that were profitable in 1989; they are also the most advanced in updating their store formats and merchandise direction.

At Woolworth, the increased sales and profits were partly the result of the firm's new Woolworth Express variety convenience store format.

Woolworth has also given a general facelift to existing profitable variety stores. The decision to close unprofitable locations also helped performance.

Seventy-six Woolworths were closed between January 1989 and January 1990; only seven new variety units will be opened this year, hinting at the limited potential of a basic variety store concept. In contrast, the number of Woolworth Express convenience stores more than doubled to 37 units between 1988 and 1989; another 23 Express stores are slated to open this year.

Ben Franklin—for sale by its parent, National Intergroup—is growing in a new direction without abandoning its variety store and wholesale/distribution roots. Craft stores are expected to be key to the wholesaler/retailer's future sales and profit growth.

Similarly, Winn's continues to experiment with a craft store format. While the firm would not release income information, a $2 million rise in sales coupled with sales of higher margin craft supplies merchandise undoubtedly boosted profits in 1989.

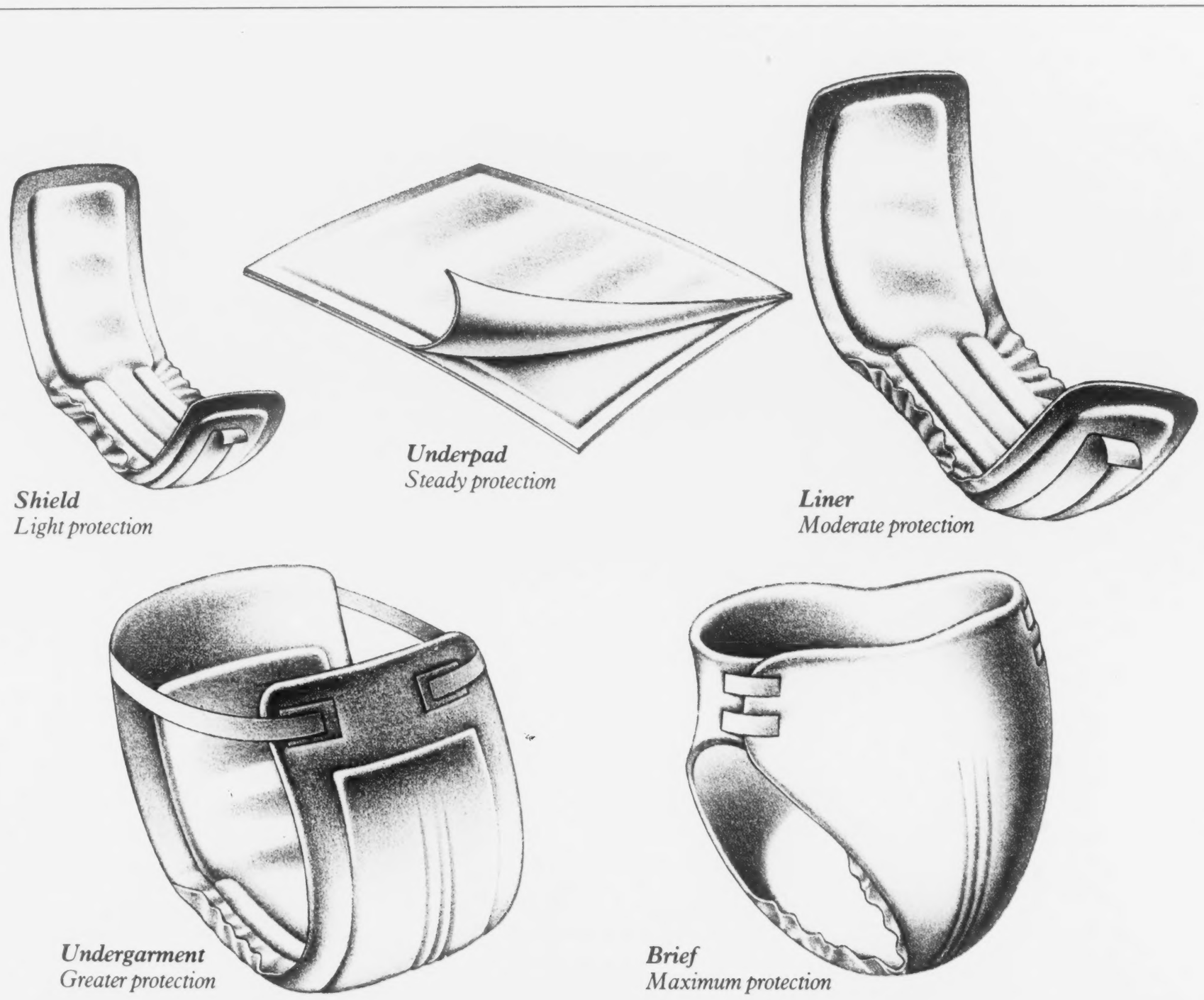
Fred's variety stores, under direction from crisis management team The Finley Group brought in just over two years ago, is beginning to turn the tide of red ink.

The renewed dedication to "count up, clean up and speak up" at all levels of operation, is expected to pay off, according to Fred's acting president, Tim Finley. Sales were down by $13 million, but losses were just over half the 1988 level. Losses were over $10 million in 1988 but were reduced to $6.7 million last year. Thirty stores are to be remodeled this year.

The roughly year-old name, and logo change to, "Sprouse!" and store remodeling program has thus far helped the variety store retailer's sales. Profits, however, continue to lag. Sprouse is now soliciting bids following a takeover attempt by a real estate investor.

McCrory has attempted to change its image and focus by converting most of its T G &Y stores and Odd Lot stores to the Bargain Time closeout store concept. Nonetheless, the conversion to the Bargain Time format, which took place early last year, reported a loss. During the 11 months ended Jan. 2, 1990, 229 Bargain Time stores generated sales of $150.7 million; costs and expenses were $227.2 million. Last September, McCrory also acquired GC Murphy from Ames.

The McCrory Corp., as a whole, dropped $19 million in net sales and plummeted $96.7 million in operating profits.
(See chart, page 87.)



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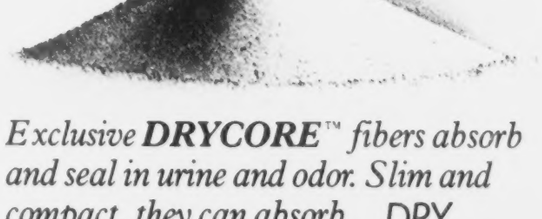

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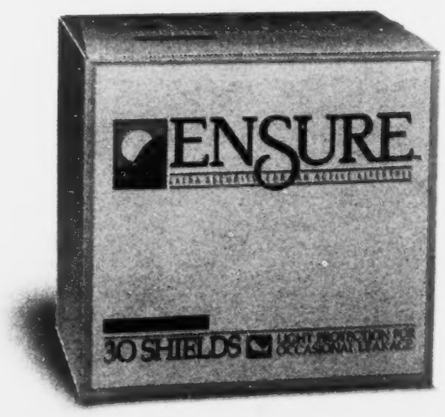

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Dollar Chains Try New Systems to Compete

The challenge for some of the top dollar store operators last year was to develop systems and executives to manage continued store expansion at these chains.

Profitability was frequently determined by the sophistication—or presence—of any management information or POS systems, especially among the two largest chains.

Dollar General, for instance, which invested in new systems several years ago, reported an earnings increase for 1989, while Family Dollar, only beginning to install new systems had a rougher time in 1989.

Making the investment in MIS more urgent is the growing competition among dollar discount chains. Family Dollar and Dollar General are running head-to-head in the Southeast and South Central retailing hotbed; Bill's Dollar Stores is expanding rapidly into this same area, targeting 1,000 stores in two to four years.

This competitive environment among the chains needs state-of-the-art systems to reduce out-of-stock problems and keep merchandisers up on buying trends. As store counts rise, keeping tabs on the merchandise requirements of individual units could force other chains to consider investing in MIS and POS systems.

Family Dollar will focus on out-of-stocks by investing in new inventory replenishment software and the gradual rollout of POS equipment to all stores over the next few years, according its annual report to stockholders.

Profits have been taking a one-step-forward, two-steps-back path since 1986. Out-of-stocks, increased advertising expenditures in the second half, and markdowns were culprit last year.

Family Dollar's efforts to turn around profits during the current fiscal year will hinge not only on new systems but also on greater emphasis on private label goods and adjusting markups as market conditions permit. The benefits of new systems like those being installed at Family Dollar are already being enjoyed at Dollar General, which continued its rebound from a precipitous drop in earnings in 1986.

Last year's inventory levels at Dollar General were reduced by over $30 million due to, in part, a $17 million capital investment for an automated distribution center and the new MIS. The bottom line was benefited further by a reduction in Dollar General's shrinkage level to 2.8 percent. Just a few years earlier, shrinkage levels were nearly 4 percent linked, in part, to acquiring the 206 Florida-based chain, Eagle Army and Navy.

An overhaul of key executives since January 1989 may have also contributed to the strengthened bottom line. The vp of merchandising/operations; vp of store operations; director of MIS resources, new merchandise managers in both the soft goods and hard goods areas plus seven new buyers were all named since 1989.

While Dollar General's investment in new systems paid off, Bargain Town might need to wait a year or two for its payoff. Its parent, The Enstar Group, reported its Specialty Retail division (Shoe City) suffered a nearly $13 million operations loss due to "an unsuccessful initial conversion to new merchandising and financial systems" as part of a move to a distribution site and headquarters in Montgomery, Ala.

While Bargain Town is part of the AMRET division of Enstar, not the Specialty Retail division, the two units share the DC and headquarters and was hurt by the DC problems as well. Jay R. Kline, chairman and ceo of Enstar Specialty Retail, told *DSN* that the system problems at the DC have been solved and the firm is well positioned for a profitable 1990.

Bill's new store growth will be not only in its typical dollar store format, but also by exploring leased department opportunities in grocery chains. The company opened its first store within a store March 1989, in a Meridian, Miss., Sack and Save food store.

Bill's decided scanning systems in stores were not cost-efficient; after testing scanning in 100 stores, they were phased out. The chain expects to operate separate department registers by next year to make merchandise sales easier to track. While its feels scanning at stores is not needed, scanning at the DC is currently being installed for picking.

(See chart, page 87.)

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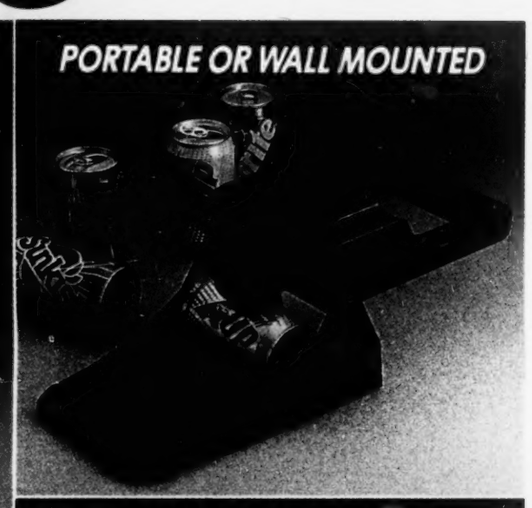

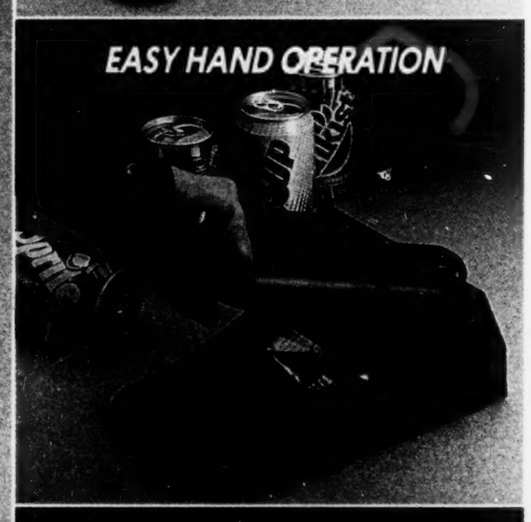

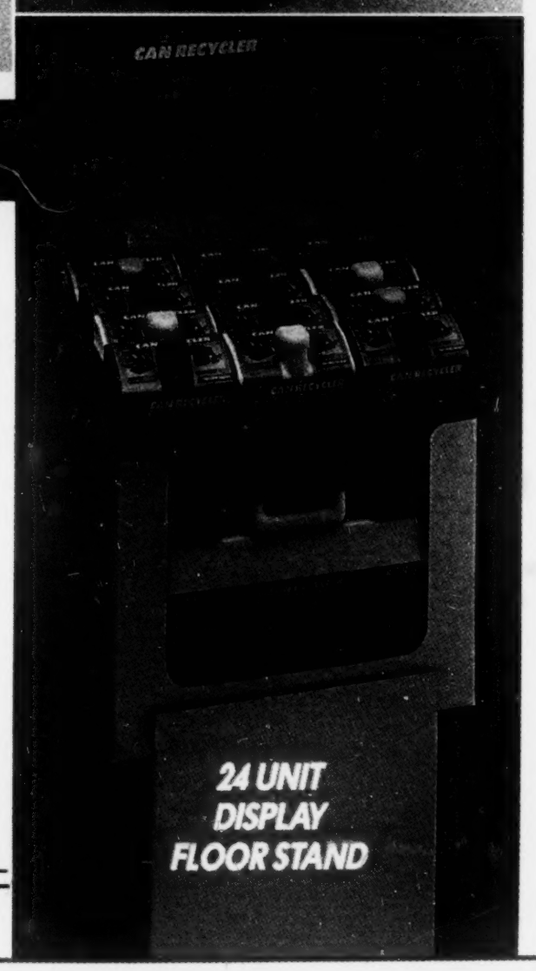

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Bargain Time Joins Ranks of Industry Leaders

Pic 'N' Save put itself on the auction and called a truce with an adversary trying to seize control of its board.

Bargain Time is enjoying its status as the "New Kid on the Block" of closeout retailing.

And, Consolidated Stores "induced" its previous chairman to quit after posting an operating loss.

Those were the major developments over the past 12 months in the arcane field of closeout retailing, where knowing where to buy distressed goods for pennies on the dollar provides the key to success.

Bargain Time, operated as a division of McCrory Stores, carried through with its plans to turn the Big Two of closeouting, Consolidated and Pic 'N' Save, into the Big Three. McCrory built it on the foundation of the 103-store Odd Lot Trading closeout chain that its parent, Riklis Family Corp., acquired from Revco in 1988.

Many of the 190 Bargain Time units that sprang into action last year were former TG&Y units that McCrory had acquired. In fact, the Oklahoma City headquarters of Bargain Time are located in a former TG&Y building. Opening its first unit in February 1989, the new chain generated revenues of $160 million in its first year.

Bargain Time is using 1990 as a year to solidify its position and plans to close a net of 10 of its 190 stores. In other economy moves, McCrory closed the Newark, N.J., buying office of Bargain Time and moved buyers to its headquarters in York, Pa. It also is shifting some administrative functions from Bargain Time headquarters in Oklahoma City to York.

The 1989 revenues put Bargain Time No. 3 in sales behind Pic 'N' Save— battling to fend off an investment group attempting to seize control of the board and force a sale.

In the latest development, Pic 'N' Save and its adversary, Girard Partners, called a truce last month after a federal judge ruled that the partnership possibly violated U.S. security laws in the way it was waging a proxy fight to gain control (see story, *DSN*, June 18, 1990, page 3).

Pic 'N' Save and Girard agreed to cease their proxy battle until July 15, the date Pic 'N' Save set for prospective buyers to submit bids. It also agreed to postpone its annual meeting until Aug. 15.

David Batchelder, a former strategist for corporate raider T. Boone Pickens, heads Girard. Minority partners include warehouse club entrepreneur Robert J. McNulty, one of our men Girard wants to install on Pic 'N' Save's board.

Girard put Pic 'N' Save into play in May when it disclosed it had acquired a 6.6 percent stake in the chain and declared it would sell the chain if it succeeded in wresting control.

In response, Pic 'N' Save put itself on the auction block and offered Girard two board seats. When those moves failed to deter Girard, Pic 'N' Save sued in U.S. District Court, charging that Girard violated security laws in the way it was soliciting stockholders.

Making it vulnerable to stockholder discontent, Pic 'N' Save saw its operating profits erode to $50.9 million in 1989 from $77.7 million the previous year. Sales had risen to $475.2 million from $401.7 million.

To cut costs, Pic 'N' Save closed the 263,500-square-foot distribution center in Paterson, N.J., it acquired when purchasing the 16-store Job Lot Pushcart chain from Value Merchants (formerly Wisconsin Toys) in 1988. Construction continues on Pic 'N' Save's $59 million distribution center in New Orleans, intended to supply the California-based chain's expansion into Louisiana, Atlanta and Metro New York. Pic 'N' Save expects to open the 1.1 million-square-foot DC in the first quarter of 1991.

Industry leader Consolidated Stores also felt heat last year, recording a $14.5 million operating loss, compared with an operating profit of $37 million the previous year. Sales declined to $608.7 million from $626.6 million.

James Guinan suddenly was out as chief executive officer and William Kelley was in. As an inducement to persuade Guinan to resign Jan. 12, 1990, Consolidated amended his contract to pay him a $450,000 severance allowance if the chain changes hands during the next 12 months.

(Continued on page 100)

Discount Store News

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Bargain Time Joins Closeouting Elite

(Continued from page 99)

In Consolidated's 1989 annual report, Kelley said results reflected "costs from changes in senior management," closing its southern distribution center and "a one-time charge to refocus the business on closeout retailing."

Consolidated "had begun to stray from its unique marketing niche as the leading closeout retail chain," Kelley said in his letter to stockholders. "The company was starting to look more like a discount store chain," Kelley said, and the 1989 results show that was a mistake.

Although Value Merchants got out of the general closeout business by selling its Job Lot Pushcart chain, it is carving out a niche as a specialty closeout operator.

Last July, it acquired Everything's a $1.00, Virginia Beach, Va. As its name says, Everything's operates under a one price policy of $1 for gifts, toys, jewelry, kitchen gadgets and hardware. Everything's describes itself as "five and dime of the '90s."

The chain generated revenues of $40 million last year from 60 stores and expects to operate a total of 105 stores by year-end.

Value Merchants also operates Toy Liquidators, specializing in toy closeouts.

In another expansion move, Value Merchants bought the 20 remaining toy stores of Toy King, Orlando, Fla., and will convert some to Toy Liquidator units and others to the dollar concept.

The demise this spring of Heck's as a discount store operator saw the emergence of another type of specialty closeout operation. Jordache Enterprises bought 60 Heck's units and converted them to stores that deal primarily in closeout apparel, including Jordache brand clothing, under the name L.A. Joe.

Dollar Bargain, a closeout chain that once counted 50 stores, changed hands with the sale this spring of its bankrupt parent, Glosser Bros., (which also operated 17 Gee Bee discount stores) to Schottenstein Stores. Dollar Bargain was down to 18 units when the end came for yet another full-line discounter.

While Hurricane Hugo and the San Francisco earthquake last year devastated local retailing, they held a silver lining for Building #19, which deals primarily in salvage goods, with closeouts filling in the gaps. The disasters generated an abnormally large volume of damaged goods.

Tuesday Morning, a closeout chain that operates only during four key marketing periods, such as back-to-school and Christmas, is another closeouter that isn't complaining about 1989. Sales shot up to $97.8 million in 1989, from $81.6 million the previous year. The Dallas-based chain boosted store count to 114 from 101. *(See chart, page 87)*

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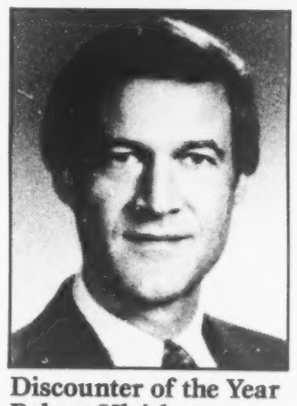

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Hypermarkets Adapting to American Tastes

(Continued from page 93)

where near the rate of warehouse clubs and, before that, discount stores. American life just doesn't allow for two-hour store visits, and an original criticism of the concept, that Americans view food shopping and merchandise shopping as two separate, virtually exclusive tasks, seems to have been borne out.

But a much stronger muffler of growth is a simple fact of economic life. There are easier ways to make money.

Wal-Mart, easily the most successful practitioner of the hypermarket concept, said as much when it reported that it would convert its stores to, essentially, SuperCenters. According to a source, the Hypermart USA concept met all of its plans, but was just too much of a hassle and, with such low margins, too nerve-wracking.

Auchan and Carrefour, both owned by French operators and both much closer to the European model, remain competitive, but don't appear to be adapting well to the American consumer.

Auchan has tried something different, creating "specialty stores" within its locations in key areas such as consumer electronics and toys in an attempt to draw more customers from the food side into the general merchandise area. Results, so far, are inconclusive.

Carrefour, after a protracted labor dispute, appears to be holding strictly to its original concept, which has been successful in other parts of the world. Sales in its second year grew a modest 8.3 percent, and the opening of its second unit (possibly in southern Florida), if that occurs, may be a turning point, one way or the other. *(See chart, page 87)*

May Plans IPO to Facilitate Sale of Venture Subsidiary

(Continued from page 1)
to take place back in April, but chaos in the money markets prevented Venture from raising the cash.

By raising anywhere from $37 million to $41 million, depending on the Venture share price, in fresh investor equity to pay down short-term debt, May has eased the way for Venture to borrow the $305 million and improve its balance sheet. The IPO will inject an estimated $35 million, net, into Venture's coffers.

Similarly, May had to structure the Caldor deal so it retained a 20 percent equity interest, in effect putting up the down payment in the form of seller's paper. That made it easier for the new owners, Odyssey L.P., to borrow $500 million to swing the Caldor LBO.

Venture expects to raise the $305 million by: selling to Metropolitan Life and leasing back 29 stores and two distribution centers, $171 million; mortgaging 14 other stores, $73 million; and drawing on its line of credit, $61 million.

Morgan Stanley is handling the IPO. In its prospectus, May said it expects to receive anywhere from $16 to $18 a share for the 2.32 million shares it will sell to the public. Venture would trade on the New York Stock Exchange under the symbol VEN.

With almost 16 million shares outstanding, Venture would be worth anywhere from $256 million to $288 million on the stock market.

Venture, which May launched in 1970, would begin independent life with total assets of $394 million, down from $549 million at present, while total debt would increase to $122 million from $20 million. Shareholder's investment would plunge to $50 million from $310 million (the value of May's equity in Venture.)

Venture would become "significantly leveraged," May said, with a debt to capitalization ratio of 78.8 percent. Venture's level of debt may affect its ability to pay dividends, May acknowledged, as well as require a large amount of cash for interest and rent in every quarter, even though most of its earnings (75 percent) and cash flow occur in the fourth quarter.

In 1989, Venture sales from 75 stores (now 76) rose 3.6 percent to $1.36 billion from $1.29 billion in 1988. Same store sales increased 2.9 percent last year, an improvement from 2.2 percent in 1988 and 1 percent in 1987.

Net earnings, after its share of income taxes, interest and a non-recurring charge of $35 million related to the spinoff, fell to $12 million in 1989 from $33 million in 1988.

Without that extraordinary item, net earnings would have been $47 million.

An unspecified portion of that $35 million went to top executives as an inducement for them to remain, the prospectus said.

May reported operating profits, pre-tax and pre-interest, of $80 million in 1989, down from $81 million in 1988.

Green Seal Program Debuts

(Continued from page 5)
Mart, Hayes said. Their reaction: we're interested, we're concerned about the integrity of the seal and keep us posted, he said.

Green Seal also expects that Wal-Mart might will feature Green Seal products in its Green Aisle, Hayes said.

"We have warm, amicable relations with Green Cross," Hayes said, predicting that consumers won't be confused when they see Green Crosses and Green Seals sitting next to each other on shelves.

Green Seal enjoys widespread backing of environmental groups, such as the Sierra Club and the Natural Resources Defense Council, Hayes said. "Consumers will be able to recognize that."

The Green Cross program, although also non-profit, is being operated by Scientific Certification Systems, a for-profit environmental testing concern. Green Cross enjoys the support of the National Toxic Campaign, an environmental group that seeks to curb the use of toxic chemicals.

Green Seal is targeting five common, inexpensive product categories: laundry products, toilet paper, facial tissues, light house paint, light bulbs.

If manufacturers cooperate, Green Seal tags could go up by the first half of 1991.

Green Seal will operate on a no-risk (except for the test costs) basis with suppliers, Hayes said. If their products fail, Green Seal will give them the results without publicity for possible reformulating.

To avoid the kinds of conflicts the American Heart Association encountered with the Food & Drug Administration over its abortive healthy heart seal, Green Seal won't touch food.

Green Seal intends to establish marketing programs first with manufacturers and then retailers to capitalize on the seal of approval.

The Green Seal will give a manufacturer greater visibility than those that lack one, Hayes said.

Green Seal will operate on a first-year budget of $750,000, all donated from private sources.

A typical discount store carries "tens of thousands of products" that are candidates for Green Seal consideration, Hayes said.

Because the infant program has yet even to set standards, Green Seals has signed no manufacturers so far.

Hayes was unable to estimate how much the testing and licensing would cost for a major producer of light bulbs, for example, to obtain a Green Seal. Based on the experience of programs in other countries, Hayes, nonetheless, predicted that Green Seal costs won't increase consumer prices.

Green Seal will take a cradle-to-grave look at products. It intends to determine whether a manufacturer pollutes while making it, whether the product indirectly diminishes pollution, say an especially efficient light bulb, whether its packaging is wasteful and whether the product causes pollution after being discarded, such as releasing mercury or heavy metal inks.

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Vol. 29, No. 13 July 2, 1990

Capitalizing on the Crafts Craze

(Continued from page 7)
turer is not yet able to provide UPC coding, Ben Franklin is creating its own UPC labels compatible with its POS to insure that it has complete tracking of sales by item.

The variety store division has taught consumers to associate the Ben Franklin name with discounted merchandise. While the craft stores will feature very competitive prices on high-volume "pledge items," lack of crafts competition will allow the company to push mark-up far above variety store levels. Pledge items include Creamcoat stencil paint for 99 cents and DMC embroidery floss priced four for a $1.

The two largest sales and profit producers in the store are expected to be the framing shop and floral department, together accounting for half of total dollar volume, according to John Menzer, president of the craft stores division. Wearable art also continues to be one of the craft industry's high traffic and volume departments.

The Fort Wayne prototype is a craft supplies selling machine. The store layout, fixtures, front-end system, assortment and instructional class schedule are designed to draw every possible craft consumer and get them out of the store expediently.

While most craft stores have a tried and true small core shopper base, Ben Franklin Crafts has developed programs and merchandising to lure typically non-craft consumers such as men, children and first-time craft shoppers into the store.

A special three-hour course targeted to fathers will let dads walk out of the store with a completed dollhouse . . . and any other dollhouse furniture kits or interior decor supplies sold in the store.

One department near the front of the store features beginner craft projects with special emphasis on items that can be done quickly and easily by children. Even the shopper who will not be lured into buying crafts supplies could be coaxed into making a purchase. Unlike most craft stores, there is a department at the front of the store where local craftsmen can sell their wares on consignment, encouraging community involvement in the store while letting the person who has no time to make crafts buy a ready-made crafts product.

Over 500 handmade models are suspended on "model boards" above every type of craft supply, illustrating to the shopper how the materials could be combined to create everything from wedding veils to stenciled coat racks and painted sweatshirts.

The markets being pursued by Ben Franklin Crafts will not be home to any dominant craft retailers, which still leaves most of the United States "virgin craft territory," said Ward.

Waccamaw Inc., the home decor superstore chain based in Myrtle Beach, S.C., offers a broad enough craft—especially silk flower—selection to warrant some adjustments in Ben Franklin assortments said Johnson. "Waccamaw is a category killer. We might want to adjust our floral and floral container department in shared markets," he noted.

Fred Meyer Optimistic After 1989 Earnings Hit

(Continued from page 5)
chandise. Stevens said adaptations of this format will be used in the four more large multidepartment stores the chain plans to open this year in Portland, Bremerton and Puyallup, Wash., and Bend, Ore.

Stevens said the chain is also looking at future sites in Northern California, although no sites have currently been finalized. He said the chain is interested in Sacramento, but that it will not enter the growing market until it can open three stores there simultaneously.

While other retailers continue to try to blend food and non-food together, Stevens said few have been as successful at it as Fred Meyer. He said the chain's extensive offering of over 200,000 sku's not only exceeds that of many mass merchants, but also allows the chain to have the product and category depth necessary to compete with specialty retailers.

In response to questions about the future fate of large multidepartment stores such as Fred Meyer, Stevens said he doesn't believe consumers have the time to consistently drive around town shopping at specialty retailers.

Stevens also said the chain is remaining aggressive in its environmental efforts. In January of this year, Fred Meyer introduced a six-point "earth-friendly" program, which the chain followed up with the introduction of a Green Cross labeling program this spring.

Starting in July, products meeting certain standards—verified by a third party certification company—will begin receiving the Green Cross Recycling Seal of Approval, according to company spokesman Robert Boley. Later, goods that meet specific product and packaging standards will be given the Green Cross Environment Seal of Approval.

Mobil Seeks Degradability Standard

(Continued from page 5)
against the suits if the seven states spurn its offer.

So far, 35 states have passed laws that regulate degradability, including California and Minnesota, Mobil said. It claimed its trash bags meet those two state standards.

In the face of criticism over its degradability claim, Mobil had agreed to delete the claim from Hefty even before the states took it to court.

Mobil's claim of degradability refers to photo, or light, degradability. If exposed to months of sunlight, those bags supposedly break into small bits from the effect of ultraviolet rays.

Florida, which beginning this year requires all retailers to use photodegradable plastic or paper for takeout bags, specifies that they must break down within 120 days of exposure.

Environmentalists view photodegradability as a spurious claim because communities normally bury trash bags in airtight, waterproof landfills where the plastic never sees the light of day.

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Meijer, Columbus Ohio: *The hypermarket operator will square off against several Wal-Mart stores in this market.* (DSN photo)

Meijer Faces Challenge From Wal-Mart Thrust

GRAND RAPIDS, Mich. — Meijer, perhaps the most successful hypermarket operator in the United States today, will soon face the ultimate challenge: Wal-Mart.

Until recently, the 58 Meijer stores in Michigan and Ohio have been only peripherally threatened by Wal-Mart. Some time in 1990, however, the competitive scene will change.

Wal-Mart has "seeded" these two states and opened a new distribution center in Ohio, clear signals that area retailers can expect an out and out assault in subsequent years. Two Wal-Mart stores and two Sam's Wholesale Clubs are currently in Michigan; 12 Wal-Marts and four Sam's are in Ohio. Ten of Meijer's stores are in Ohio and the balance are in Michigan.

In addition to Wal-Mart, Target is also said to be eyeing store locations in and around the Columbus, Ohio, market. Target's general merchandise assortment is quite similar to the upscale mix at Meijer.

While K mart, Harts, Hills,

(Continued on page 89)

Circus World Toys Joins Growing Melville Stable

By Laura Liebeck

RYE, N.Y. — Melville Corp., a diversified retailer operating major chains in the off-price apparel, toy, deep discount drug and household furnishings markets, has bought the 330-unit Circus World toy store chain for $95 million in cash.

Pending regulatory approval, the addition of Circus World to Melville's Kay-Bee chain of mall toy stores next month will propel Kay-Bee into the No. 2 rank among specialty toy chains in the nation.

Melville Corp. recorded 1989 sales of $7.6 billion, making the retailer about the same size as Target Stores, the No. 3 ranked discount retailer in the nation. Melville's off-price discount operations generated about $3 billion in sales last year.

Circus World is a wholly owned subsidiary of Greenman Brothers, a toy wholesaler and retailer based in Farmingdale, N.Y. According to Melville, Circus World is being purchased from operating cash flow and existing lines of credit.

The new Kay-Bee will be a chain of more than 1,100 stores, by far the largest chain based on store count in the toy industry. Since Kay-Bee already operates stores in all 50 states plus Puerto Rico, the addition of Circus World's 330 stores in 32 states will beef up the chain's presence in the nation's malls.

Melville's Discount Operations

	1989 Sales (in mil.)	No. of Stores
Melville Corp.	**$7,600**	**6,930**
Marshalls	1,900	347
Kay-Bee	724	777
Linens 'n things	183	126
Freddy's	161	25
Total Discount	**$2,968**	**1,275**
Circus World*	**178**	**326**

*To be merged with Kay-Bee, pending regulatory approval
*As of 1/90 Source: Melville Corp., Greenman Bros.

Kay-Bee's acquisition of Circus World also appears to be a good strategic move. The stores are similar in size and product mix and are geared to the same customer: the mall shopper. In addition, Kay-Bee is buying a profitable chain, which offers the Melville subsidiary the opportunity to expand with stores that are already profitable and have an existing customer base.

Melville was particularly attracted to Circus World's store locations—many of which Kay-

(Continued on page 92)

Canada's Chains Brace for Change

Tax Laws, Separatism Unsettle Canadian Landscape

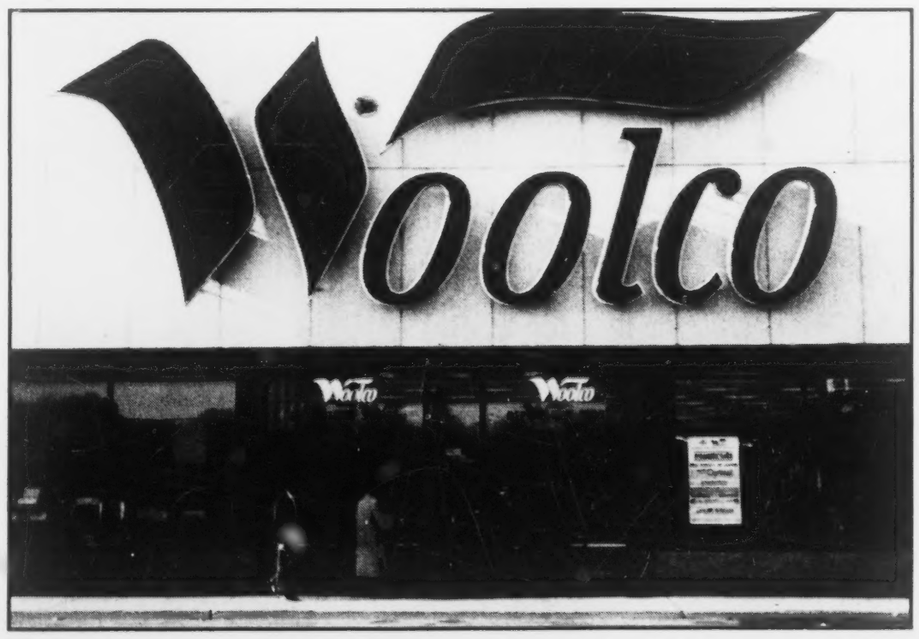
By Mary Ellen Kelly
DSN Canadian Report

Sweeping nationwide tax law changes and Quebec's drive for autonomy have placed the normally predictable Canadian retail environment on the verge of a major upheaval.

A stepped-up attack from heavyweight U.S. retailers such as TJX Cos., Toys "R" Us and The Price Co. is adding to the sense of uneasiness many Canadian retailers are feeling as the nation enters a critical point in its history.

If French-speaking Quebec wins its battle for some measure of separation from the rest of Canada, cross-border trade between other provinces and Quebec could become restricted at the same time as barriers with the United States dissolve.

Whether these changes would impact the business of retailers with stores in Quebec but headquartered elsewhere in Canada is unknown. As it stands, the relative dominance of the leading Canadian mass merchandisers has remained fairly constant for some time.



Back from the dead? *Although it disappeared from the U.S. retail landscape some eight years ago, Woolco is still going strong in Canada, racking up $2.2 billion (Can.) in sales last year.*

No major acquisitions, mergers, bankruptcy filings, or shifts in market dominance has altered the roster in recent years. Among the major mass merchandisers, Canadian Tire, a chain of hard lines specialty stores that sells everything from hockey sticks to housewares, is still the country's largest general merchant with nearly $2.9 billion (Can.) in 1989 sales. Woolco, which disappeared in the United States

(Continued on page 91)

Target Probes Updated DC Picking Technology

By Arthur Markowitz

FONTANA, Calif. — Target is testing a computerized break-pack picking system at its distribution center in this San Bernardino suburb that is expected to provide faster and more accurate selection of soft goods for less-than-carton shipments to stores.

The test involves PCS Technologies' Pic Pak system, which is already being used by such other retailers as Mervyns, The Limited and The Gap. Based on results of the test, Target could install the technology at its six other DCs, George Hite, vice president, public affairs said.

Pic Pak, which runs on a PC platform, reduces the amount of time that DC pickers spend in manually walking around the facility to selected goods for break pack orders. In Fontana, Pic Pak runs on a Tandem NonStop computer systems and NonStop SQL software.

Target is using Pic Pak for hanging and folded soft goods, although the technology can also process hard lines, Mike Cariappa, PCS Technologies' director of marketing said.

(Continued on page 91)

Sporting Goods Show:
Fall Expo Moves Up to Summer
page 5

Lawn & Garden Show:
Mulching Mowers Hot Among Buyers
page 5

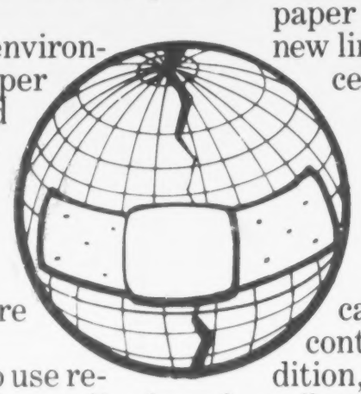
Apparel Firms Practice What They Preach

By Jill Lettich
Nationwide DSN Report

By using recycled paper, outlawing styrofoam cups in executive offices and, most importantly, establishing environmentally safe production guidelines, manufacturing companies are beginning to their put money where their mouths are when it comes to environmental issues.

In the last year, licensing of names and organizations such as the World Wildlife Fund and the Save the Earth Foundation has expanded. Major apparel manufacturers, Bonjour and Gitano to name two, have backed expensive advertising campaigns with an environmental theme. A bevy of new products have been introduced from toilet paper to toilet bowl cleaners—all designed with fragile Mother Earth in mind. Happily, behind this marketing glitz, very real and practical solutions are being implemented from the back office to the factory floor.

"It's important that this message be more than just hype. It needs to be expanded subtly into the corporate culture," explained Haim Dabah, president, Gitano Inc.



One of the easiest roads to sound environmental consciousness is through paper recycling. Huge computer runs used at Gitano are recycled. The company also used recycled paper for its 1989 Annual Report and continues to use it in its copy machines. Bonjour recycles its paper as well. In both companies, styrofoam cups are off-limits.

Though it can be more expensive to use recycled paper, major companies have displayed enough concern to not allow that to be a deterrent. Procter & Gamble prints its company magazine on recycled paper. McDonald's uses the paper for its copiers. Walt Disney uses it for its corporate stationery.

Those companies specifically marketing environmental products are almost obliged to use recycled paper for their corporate needs. Today's Choice, a new line of home paper products made from 100 percent recycled fiber, sent out its new product announcement on recycled paper and used both sides of a sheet as well.

EarthRite, a manufacturer which recently introduced a line of environmentally safe household cleansers, also uses recycled paper. At Earthrite, all company stationery, catalog sheets, display materials and shipping containers are made from recycled material. In addition, the plastic containers the cleansers are distributed in are marked "HDPE," tagging them for easy sorting as a recyclable plastic.

Beyond the corporate offices, changes in manufacturing are slowly making strides towards protecting the environment. In the apparel industry,

(Continued on page 91)

Environmental Concerns Crop Up for '90 Show

Mulching Mowers Are Hot Among Buyers of L&G

By Richard Halverson

LOUISVILLE, Ky. — Mulching mowers, a convenience product of the '70s that environmental concerns are reviving, could turn out to be the hit of Expo '90, the International Lawn, Garden and Power Equipment show sponsored by the Outdoor Power Equipment Institute.

Expo '90 runs from July 29 to 31 at the Kentucky Fair & Exposition Center in Louisville.

Similar environmental concerns are likely to heighten the demand for organic or environmentally friendly fertilizers and other garden chemicals.

"Mulchers are the hottest part of the power equipment field," said Dr. Chuck Greenidge, president of Greenidge & Associates, a market consulting firm in Evergreen, Colo. "They are getting an awful lot of acceptance."

Market share in 1990 is about 1 percent, still far below the peak of 5 percent in the late '70s.

Bans on lawn clippings in town dumps, as well as the convenience of not having to bag clippings, are prompting consumers to accept prices that run about one third higher than conventional mowers, he said.

In terms of convenience, mulchers are to lawn care what frozen foods are to cooking, Greenidge said. A mulcher is designed to grind grass clippings and then blow them down into a lawn, where they can rot, or compost, in place.

One drawback that killed enthusiasm for mulchers in the '70s is that users found they have to mow their lawns twice, or even three times as often for mulching to work properly.

Despite that drawback, consumers are turning to them again because a growing number of municipalities now ban grass clippings from from their dumps. Chicago is the latest, effective July 1, sending homeowners scurrying for alternatives. At least 32 states ban grass clippings from landfills.

Homelite has sold out its entire production run of 20,000 units and retailers have back ordered several thousand more. Toro also sold through on its mulcher production.

In addition to its push mulcher, Homelite introduced a five horsepower, self-propelled, 20-inch mulching mower that retails for $359.

As another indication of acceptance, Sears, Roebuck initially ordered 3,000 Craftsmen mulchers for this spring but quickly ordered 10,000 more.

At Expo '90, many buyers will be looking for lower priced mulchers to help build traffic.

(Continued on page 92)

Lawn and Garden Retail Sales

Activity	1985 $ Mil.	1986 $ Mil.	1987 $ Mil.	1988 $ Mil.	1989 $ Mil.
Lawn Care	$ 3,898	$ 4,317	$ 5,449	$ 5,342	$ 5,660
Flower Gardening	1,259	1,519	1,777	1,679	1,857
Indoor Houseplants	706	826	1,105	819	822
Vegetable Gardening	950	1,363	1,253	982	1,026
Shrub Care	699	659	840	853	844
Insect Control	653	992	979	880	1,052
Flower Bulbs	275	431	456	396	470
Tree Care	795	845	1,253	1,140	886
Landscaping	2,125	2,176	2,921	2,356	2,605
Fruit Trees	271	382	292	416	287
Raising Transplants	208	131	249	122	139
Container Gardening	*	310	305	235	240
Growing Berries	41	50	95	57	73
Ornamental Gardening	146	166	471	191	266
Herb Gardening	*	39	46	50	58
Total:	**$12,026**	**$14,206**	**$17,491**	**$15,518**	**$16,285**

** New category: untracked prior to 1986.*

Source: National Gardening Association, 1989 to 1990 National Gardening Survey.

After Drought, Lawn & Garden Up 5%

Nationwide DSN Report

Lawn and garden sales gained 5 percent from the drought-ravaged levels of 1988 but remain below the record sales in 1987.

In its 1989 to 90 National Gardening Survey, the National Gardening Association estimated that 1989 retail sales totaled $16.29 billion, compared with $15.52 billion in 1988. The 1987 peak was $17.5 billion.

The number of gardening households rose to 70 million, or 75 percent of the total of 92.8 million, up last year from 69 million in 1988. That equaled the 1987 figure of 70 million.

On average, each of those households spent $245 last year on their lawns and gardens, an increase from $227 in 1988 but below the 1987 average of $251, the survey noted.

(Continued on page 92)

Sporting Goods Buyers Benefit From Shows' New Timing

In Trying to Compete With Europe, NSGA Moves Show Even Earlier

CHICAGO — Although a twice-a-year show schedule is faltering in consumer electronics and housewares, it appears to be flourishing in sporting goods.

That is especially so now that the National Sporting Goods Association has gotten a jump on competing European shows by moving its World Sports Expo to the summer from fall. It moved last year's show to mid-September from October. Now it has moved it up again to July 30 to Aug. 2 in Chicago's McCormick Place.

American sporting goods buyers now can get their first look at next spring's merchandise at home, the NSGA claims, whereas they previously had to visit European shows that start in September to see it.

In a 1985 retiming, the NSGA moved up its show to the fall from February to avoid conflicts with the Sport-

(Continued on page 92)

Golf, Alpine Skiing Apparel Gain in NSGA Sports Survey

Nationwide DSN Report

Retail sales of sporting goods equipment and athletic apparel and footwear are projected to slacken to a 5.6 percent gain in 1990, or half the 11.2 percent rate in 1989.

In its annual Sporting Goods Market survey, National Sporting Goods Association projects that 1990 sales will increase to $29.6 billion from $28.05 billion in 1989. In comparison, sales rose almost twice as much in 1989 from the 1988 estimate of $25.2 billion.

In addition, sales of bicycles and supplies, surveyed separately under the recreational transport category, will add $2.37 billion more, for a total of almost $32 billion. The NSGA projects that bike sales will rise at the rate of 5 percent this year, close to the 5.6 percent rate in 1989.

In athletic apparel, the golf and alpine skiing categories should enjoy the

(Continued on page 92)

MARKETWATCH

BJ's Opens Fourth Store in Chicago

NATICK, Mass. — BJ's Wholesale Club plans to plant its fourth store in the Greater Chicago market by opening a 104,710-square-foot unit as the co-anchor of the Civic Center Plaza in Niles, Ill. Omni Super Store, a supermarket warehouse, will be the other anchor. It will be the wholesale club's first new unit in the Windy City since it acquired the three-store Metro chain in 1985.

Heck's to Sell 60 Stores to Jordache

NITRO, W.Va. — It's official. Heck's stockholders at their annual meeting have approved the sale of 60 stores to Jordache Enterprises for operation as L.A. Joe's apparel closeout units. Heck's will be out of retailing when the deal closes by the end of July. Also as expected, stockholders approved a name change to Hallwood Industries, and the company stock now trades on NASDAQ under HWDI.

Bernheim to Resign From Euromarche

PARIS — Biggs' failure to meet the profit goals of its parent firms has affected its European originators. Reuters reported that Antoine Bernheim plans to resign as chairman of Euromarche, which owns a 20 percent interest in the retailer, because of a dispute with Au Printemps, S.A., which owns 43.3 percent of Euromarche. The corporate fight centers on Euromarche's poor results that Reuters said "centers around losses at Euromarche's subsidiary, Hyper Shoppes Inc., which runs the unprofitable Biggs" chain. Bernheim, a partner in Lazard Freres & Cie., which has major holdings in Euromarche and Hyper Shoppes, didn't say whether he also planned to resign as Hyper Shoppes' chairman.

NACSM's Annual Jewelry Seminar Nears

NEW YORK — The National Association of Catalog Showroom Merchandisers will hold its annual jewelry seminar July 22 at the Jacob Javits Convention Center here in conjunction with the Jewelry Association show. Reservation are available by calling (800) 334-9585.

HQ Alters Name in Canada, Unit No. 2

EDMONTON, Alberta — The Great Canadian Office Supplies Warehouse, formerly called HeadQuarters Office Supply, opened its second unit under its new name late last month. Its first location, opened in Vancouver at the end of April under the HeadQuarters Office Supply banner, also changed to the new name. The new store in Edmonton is 32,000 square feet. A total of eight to 12 locations are slated to be opened during 1990. Great Canadian Office Supplies Warehouse operates under a licensing deal with HQ Office Supplies Warehouse, Long Beach, Calif.

Satellite System Installed at Phar-Mor

YOUNGSTOWN, Ohio — Phar-Mor plans to install a $6 million-plus satellite communication system to connect over 200 stores to its headquarters here by the end of the year. The network, being supplied by Hughes Network Systems, includes a hub station at the chain's headquarters, to be operational by August, and Personal Earth Station VSAT terminals at stores, warehouses and distribution centers. The network will support voice and data communications, along with in-store music broadcasts and live video transmissions of training programs.

Sears, OshKosh Support the Environment

CHICAGO — Sears and OshKosh B'Gosh have become the latest among retailers and apparel manufacturers to incorporate a pro-environment message into a merchandising campaign. Starting this fall, Sears will encourage public support for the Nature Conservancy, an Arlington, Va.-based organization that buys critical habitat for rare plants and animals, through advertising and promos for OshKosh men's sportswear. Both companies will make donations to the organization at year's end.

Mobil to Delete Degradability Claims

FAIRFAX, Va. — Mobil Chemical Co. will delete references to degradability on its Hefty waste bag packaging, settling litigation in Texas. Mobil also agreed to pay $15,000 in investigative fees to the Texas attorney general's office. The legal tangle became "counterproductive," said Mobil, adding that the firm will "move to positive solutions such as establishing standards for degradability claims."

Men's Wear Gets Printed

Rayon, Unusual Waistbands Dominate NAMSB Show

NEW YORK — Rayon print shirts in any and all patterns imaginable dominated the most recent NAMSB show. The event, held twice yearly by the National Association of Men's Sportswear Buyers, was smaller than its fall season counterpart, but just as full of color and style.

It was decidedly an urban show. Muted, darker colors in mostly olive, black and brown were featured on men's shirts, coordinated trousers, ties and other apparel.

A large contingent of companies from California and other points west did manage to infuse some brighter colors into the show. Tie-dye effects and florals were visible, but the glowing neons, even in beachwear, were slightly toned down.

Though the basic jeans market at retail has not been doing as well as could be hoped, the show featured a number of fashion jeans lines that incorporated both interesting fabric finishes in addition to unusual waistbands.

Much of the exhibit space was devoted to higher-end clothing aimed at specialty and department stores. Bugle Boy, Cotler and Jordache were among the prominent national brands represented.

Bugle Boy, the sportswear manufacturer, had the largest exhibit by far, taking up the space of 17 booths for its various product lines. According to one company salesperson, looser fits and fancy waistbands were getting a lot of attention and are likely to help jeans sales for holiday.

Buyers at the recent outing were there mostly to pick up last minute fall items missed the first time out, and to look for holiday trends. The timing of the show is such that much of the fall business is already completed, though a number of retail buyers admitted they wanted to come to "just browse."

(Continued on page 91)

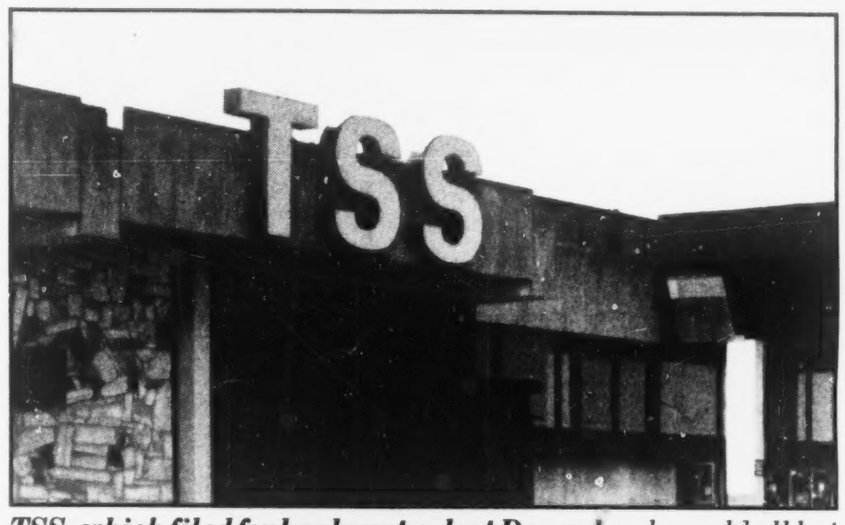
Woolworth Sets Expansion Into Eastern Europe

MEMPHIS, Tenn. — Woolworth plans to invest $365 million to pursue expansion into Eastern Europe, especially East Germany.

The decision to exploit opportunities in Europe was triggered by a sharp rise in sales in existing stores in Berlin after the opening of the Berlin Wall. The firm reported sales more than doubled during the first week, and sales activity has remained high. Another 2 percent to 3 percent rise in total German store sales could result in '90.

As part of its European endeavors, Woolworth acquired a 14-unit specialty athletic footwear chain in Belgium and the Netherlands and created Foot Locker Europe B.V. to operate those units and nine others in West Germany.

Harold E. Sells, chairman and ceo, said the European operation should help, "speed the expansion in Europe of not only our highly successful Foot Locker format, but other specialty formats as well."



TSS, which filed for bankruptcy last December, *has sold all but one of its 14 discount department stores.* (DSN photo)

TSS Still Trying to Sell Last of Its Dept. Stores

NEW YORK — TSS has just one more unit to sell before it is officially out of the retailing business.

Now in the final throes of dissolving the chain, company executives are wrestling with one landlord who doesn't want to release his property to a sublease at a much higher rent controlled by and paid to TSS' parent company, Resource Holdings. Therefore, Bed, Bath and Beyond and Marshalls might be delayed in opening at the store located in Melville, N.Y.

Jeff Goldstein, vice president and chief financial officer for Resource Holdings, hoped to receive court approval for the sublease at Melville, thereby allowing the chain to

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EDITORIAL

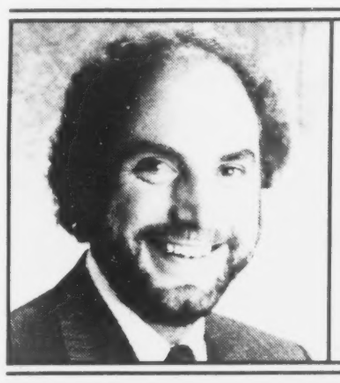
Will Credit Crunch Squeeze Discounters?

I am worried about the impact one simple word—or the lack of it—will have on retailing as we enter the second half of the year.

No, it's not recession or inflation, although these things continue to threaten the retail industry. No, it's not competition or service, although these things continue to plague many retailers. (See Don Longo's column below.)

The word is credit; the concern is about a crunch. And every retailer should be equally concerned. The credit problem is twofold: commercial and consumer. First let's examine commercial credit. Consider these comments:

"Bankers are closely scrutinizing their loans," said Lissa Baum, vice president and regional manager of Chemical Bank's textile and apparel business during a conference in March cosponsored by Chemical Bank and Deloitte & Touche. She noted that the fashion industry is highly volatile and that a softening economy, too much leverage, and an expected shakeout of more retailers has bankers concerned.



TONY LISANTI
Editor

"In some cases—where the company is highly leveraged or unprofitable—bank lines will be cut back. In the '90s, credit will be given where it's deserved and not always where it's asked for," she added.

According to Baum, bankers in the '90s will be looking for "borrowers who are well-capitalized, liquid and profitable. Companies that don't grade well in these categories are in for a much tougher ride," she said.

When asked if there is a credit crunch on Seventh Avenue, Baum said, "Banks have plenty of money to lend to good names "

The fact is that most major lenders (e.g. Chemical Bank, and Citibank) have soured on the retailing industry, thanks to the problems of Campeau, the continuing struggle of Macy's, the overall perception of a soft retail market, and the huge debt load being carried by so many retailers.

All these factors affect the ability of retailers to raise money to fund new start-up concepts, expand the core concept, develop new prototypes, install new fixturing and POS systems, remodel old stores and so on. Many discounters are heavily committed to such plans as part of their strategy for growth and profitability, and in some cases, survival in the 1990s.

The fact is that most major lenders have soured on the retailing industry, thanks to the problems of Campeau, the continuing struggle of Macy's, the overall perception of a soft retail market, and the huge debt load being carried by so many retailers.

On the consumer side, the availability of home equity loans as well as other types of personal loans, have dried up considerably. In addition, interest from credit card purchases will no longer be deductible; tax increases have been enacted in several states (e.g. New Jersey raised taxes on July 1); continued downsizing philosophy of many companies will result in more layoffs. And like many retailers, consumers are also carrying a high debt load. These factors could result in a serious decline in consumer spending during the balance of 1990 and beyond.

Add to this scenario the aforementioned threats of recession, inflation, competition, etc. and retailers face a tough second half.

Phew! But when the market gets tight, I am reminded of the adage that discounters fair well in turbulent economic times.

So I guess there really is nothing to worry about. Right?

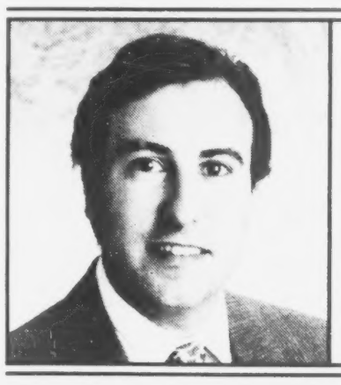
BUYERS & SELLERS

There's No Escaping Competition This Decade

Competition and customer service are the most challenging problems for discount retailers in the 1990s, according to a poll of chain headquarters and store executives taken by *DSN* earlier this year.

Looking at the results of this telephone survey of 200 industry executives, I was reminded of a comment made earlier this year by Leonard Luria, chairman of the Florida catalog showroom chain, L. Luria & Sons, at the National Association of Catalog Showroom Merchandisers' annual dinner. Luria said, "My management team won't tell me, 'Competition is harder than ever,' or those people won't be here any more."

Luria's unwillingness to accept increased competition as an excuse for poor results is an attitude that every retailer, and manufacturer, should embrace. History shows that as competition intensifies, the good get better and the lazy disappear.



DON LONGO
Exec Editor

Customer service (17 percent) drew nearly as many responses as competition (18 percent) to the question, "What are the most challenging events or problems of the 1990s?" Interestingly, customer service is one of the ways in which many retailers are differentiating themselves from their competition. Clearly, the two problems are closely related. Since "pricing" was named as a major problem by relatively few retailers (just 8 percent), it appears that providing better service to customers will draw increased attention, and investment dollars, from retailers in the decade ahead.

If I were a vendor, I'd try to focus my programs for retailers to address these concerns. For example, I'd want to develop special fixturing and signage that would help a retailer differentiate himself from the pack. I'd also jump at the opportunity to cultivate a Quick Response partnership with the retailer, tying into his computer system to facilitate rapid replenishment of my merchandise on his shelves. After all, being in-stock with the merchandise a shopper wants to buy is one of the best forms of customer service.

Other major concerns of retailers include the economy and financial solvency (14 percent) and personnel—staff and payroll (12 percent).

The survey, conducted for *DSN* by Fairfield Research Inc., of Lincoln, Neb., also asked retailers to identify what they thought would be the hot products of the 1990s.

Thirty-three percent named high-tech consumer products. That would appear to be good news for consumer electronics manufacturers. Already, more discounters are either selling or considering large-screen TVs, facsimile machines, personal computers, electronic dictionaries, language interpreters, and the like, laser disc players, and other "techie" products. The key: Anything the consumer can take home, plug in and begin working or playing with will sell.

Another 26 percent cited clothing and accessories as a hot product category for the 1990s. At least one consulting firm has predicted that discount stores will continue to grab a larger share of consumers' apparel dollars, mostly at the expense of full-price department stores. Trendy apparel manufacturers like Bonjour have recognized this trend and are now focusing on the discount trade. More "upstairs" brands are sure to follow.

Other hot products of the 1990s include: home entertainment/video games (7 percent), environmentally safe products/packaging (6 percent), time saving/convenience products (5 percent), fads or trendy merchandise (4 percent), toys (4 percent) and sporting goods (3 percent).

Competition is no less a factor in the publishing industry than it is in retailing. It was personally gratifying that nearly three-quarters (74 percent) of respondents said they would choose *DSN* if they could read only one retail trade publication. The next closest industry publication received only 9 percent of responses. While we're thrilled with that response, we at *DSN* pledge to continue to serve the mass retailing industry by gathering and disseminating information that helps retailers and manufacturers make better business decisions.

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Discount Store News

ANNUAL REPORT 1989

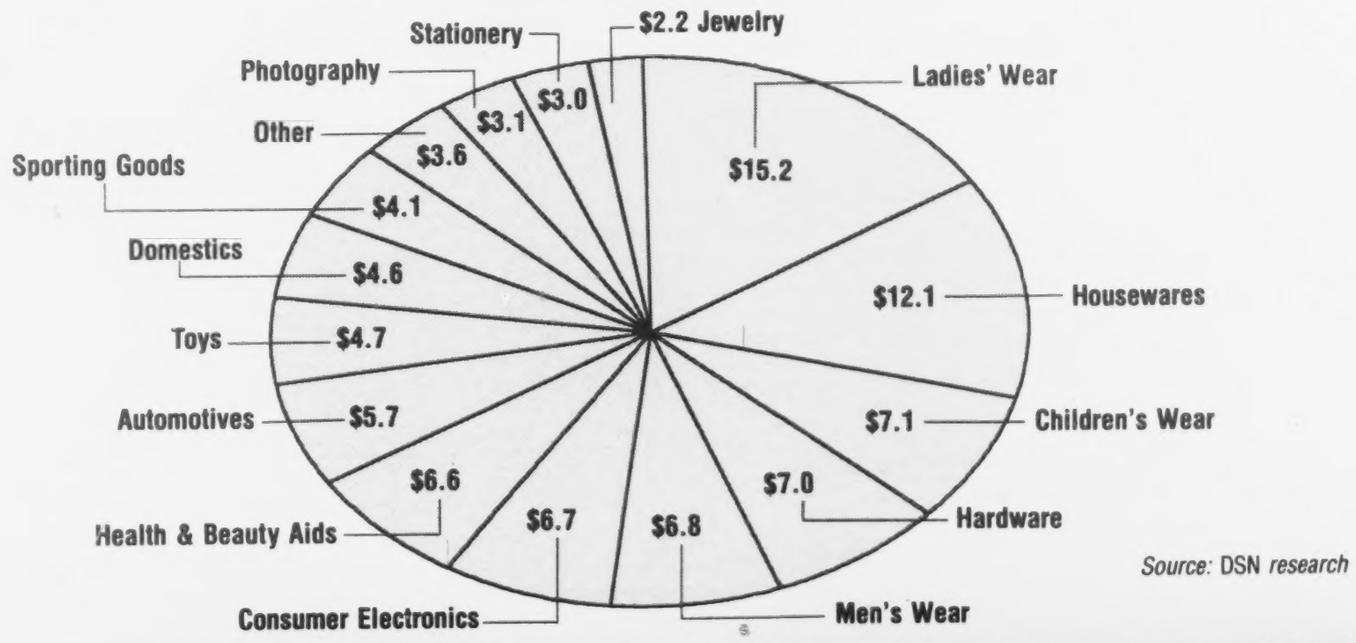
PART 2:

Merchandising & Productivity

Fashion. Fashion. And, more fashion. Fashion merchandising permeated nearly every product category last year, from apparel and domestics to housewares and stationery. This special section examines sales, productivity and major trends in the top 14 discount department store merchandise categories. It also looks at the productivity of the top discounters and provides a store count census of discount department stores, membership clubs and catalog showrooms by region and state. The special report, compiled by the entire DSN editorial staff, concludes with profiles on the top 10 discounters in the nation.

Full-Line Discount Store Productivity

(Projected 1990 Sales in Billions)



Source: DSN *research*

Discount Industry Annual Report

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Apparel Skirts 31% of Market

Ladies' wear, housewares, children's wear and hardware will be the leading volume producing categories for discount department stores this year, according to *DSN* research.

With combined sales of $29.1 billion, ladies', men's and children's apparel departments will account for over 31 percent of the projected $92.5 billion that full-line discount department stores will generate in 1990. Adding the $2.2 billion expected to be generated by discounters' jewelry departments this year, the apparel and fashion categories will account for more than one-third of total store sales.

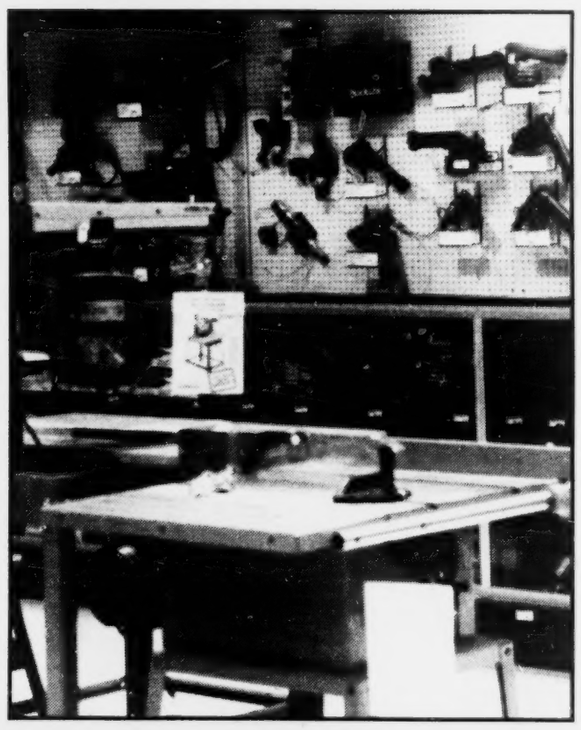
The home products categories of housewares, consumer electronics, domestics and photography will also generate a hefty percentage of full-line discounters' sales. These categories will generate $26.5 billion in sales this year, approximately 28.6 percent of total store sales.

The remainder of discount store sales will come from the hard lines departments of hardware, health & beauty aids, automotives, toys, sporting goods and stationery. These categories will generate about $31.1 billion in sales this year, or about 33.6 percent of total volume. Miscellaneous other product categories will total some $3.6 billion in sales for discounters.

Other major merchandising trends of the past year were:

- A resurgence in sales of dresses, casual sportswear and knits in women's wear. The "value image" of discounters and their continuing efforts to upgrade or upscale various departments have made them a force to be reckoned with in the women's apparel industry.
- An emphasis on casual looks and branded merchandise in men's wear.
- Intense competition from specialty stores for the children's wear business.

Top Volume Departments



- Fun and trendy accessories added sparkle to the jewelry and accessory business.
- The continuing recasting of discounters' home products departments into home decor centers added a new fashion focus to the non-electrics housewares business.
- Home health care, "feel good" products like massagers and vacuum cleaners were the success stories in electric housewares last year.
- Feature-laden, inexpensive 35mm cameras led a rebound in the photo department last year.
- Discounters continued to cut into full-price department store and specialty store home fashions business by upgrading their domestics assortments.
- Fashion colors, improved greeting cards displays and office quality supplies swept through discounters' stationery departments as the home office business exploded.
- New products spawned by environmental concerns added a new twist to the hardware and lawn & garden categories.
- In H&BA, diet products, ethnic and professional hair care merchandise, eye care and environmentally neutral products were the rage.
- While video game sales continued to siphon dollars away from the traditional toy categories, many discounters reported success with trading cards, dolls and licensed characters.
- Waxes and polishes shined the brightest in the automotives department.
- Golf and fitness products are the bright spots in sporting goods.

Full-Line Discount Store Productivity

Category	Discount Volume (In Billions)	Sales Per Store (In Thousands)	Dept. Size (In Sq. Ft.)	Annual Sales Per/ Sq. Ft.	Annual Turns	Percent Initial Markup	Percent Gross Margin
Ladies' Wear	$15.2	$1,936	11,000	$176.03	4.0	47.2%	32.5%
Housewares	12.1	1,541	7,550	204.16	3.5	36.3	24.5
Children's Wear	7.1	904	7,500	120.59	3.8	44.5	30.5
Hardware	7.0	891	4,500	198.16	2.5	40.0	32.0
Men's Wear	6.8	866	6,500	133.27	4.1	46.5	33.4
Consumer Electronics	6.7	853	2,300	371.09	3.5	30.0	16.5
Health & Beauty Aids	6.6	840	3,200	262.74	5.2	25.5	19.5
Automotives	5.7	726	2,300	315.70	3.2	33.8	24.8
Toys	4.7	598	2,500	239.49	3.0	36.9	26.2
Domestics	4.6	585	4,000	146.50	2.5	44.2	34.0
Sporting Goods	4.1	522	2,500	208.92	2.1	37.0	27.8
Photography	3.1	394	500	789.81	3.8	25.9	18.0
Stationery	3.0	382	2,000	191.08	4.3	47.1	42.0
Jewelry	2.2	280	650	431.16	2.0	52.2	42.9

Housewares includes personal care, small electrics, non-electrics and RTA furniture.

Hardware includes paint.

Children includes girls', boys', infants' and toddlers' wear.

Source: DSN research

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APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Discounters Top Ladies' Sales

Separates, Mix 'n Match Add Up In Women's Apparel for 1989

The majority of women's off-price retailers did exceptionally well in 1989, carried by a resurgence in sales of dresses, casual sportswear and knits.

Retail analysts reported the "value image" of discounters and the continuing efforts to upgrade or upscale various departments have made them a force to be reckoned with in the women's apparel industry.

ANNUAL REPORT PART II

Complaints of a lack of trends in the women's market last year did not necessarily hold true for discounters. A few innovative manufacturers and equally innovative merchandise managers managed to infuse some excitement into a category that many consumers claim is plagued with "sameness."

Much of the newness in discount retailing last year came from vendors such as Gitano and Bonjour who capitalized on the continuing interest in related separates and mixed and matched bold colors and patterns in garments for their customers. Gitano, which began its shop-within-a-store concept with Caldor a little over a year ago, has found a successful formula and has helped many retailers upscale the look of the women's apparel department.

Bonjour Explores Shop Concept

Bonjour is another manufacturer working on the shop concept. Some retailers created their own shops to capture apparel dollars. Target, for instance, did well with an Urban Surf label and area that made the most of the beach lifestyle trends. JIK Ltd., which produced the Target line reported the test of the label was successful, mostly because of quick turnarounds on replenishments and updated garments.

According to a study by Kurt Salmon Associates (KSA), women spent 18.3 percent of their apparel dollars at discount stores. An even larger percentage, 21 percent, went to a category KSA calls Minor Channels. These include off-price retailers, factory outlets, mail-order catalogs and warehouses—distributors that are fast becoming majors.

The fashions that did best were young in mood and style. Short skirts, dresses, knit tops and anything in comfortable stretch fabric did well. In general, a softness in styling and fabrication is a current trend that is expected to continue to sell clothing. While fleece continues to be an important fabrication, the lycra stretch fabrics mixed with cotton and nylon are likely to replace it as the most prevalent street fashion.

In the first quarter, analysts reported almost all categories of women's apparel did better than last year. Surprisingly, the sweaters category, one of the strongest in men's wear was the weakest element in women's. Another strange phenomenon, a firm 6 percent increase in bra sales, which can be attributed to heavy advertising in this market. America may be on a basic foundations craze. This sales report matches a report of an increase in sales for men's underwear as well.

Apparel areas in discount department stores such as Caldor and Jamesway were given new priority as the year progressed. A departmentalized look to women's apparel in the stores was accomplished with brand spotlighting and better use of displays. These stores moved away from straight pipe rack displays to more sophisticated rounders, waterfall displays and four-sided racks. Marshalls also worked on making shopping easier. Signage and a reorganization of its merchandise in many of its units distinguished its major areas, including the specialized petites and large size departments.

Store size was also a heavily debated and tested topic in 1989. Many discounters began with grand expansion plans but had to adjust to various outside factors. Among the off-price specialty chains, smaller stores, designed to either fit the demographic area or to better showcase the merchandise was the more successful norm.

T.J. Maxx tried both larger and smaller stores, but found the smaller stores, at between 18,000 square feet to 20,000 square feet, more successful.

Ross Stores' smaller prototype focused on women's apparel and accessories, but cut down somewhat on men's wear. A totally revamped prototype was introduced last year. Brighter colors and new fixturing added to the upscale appeal of the store and helped increase sales.

Dress Barn concentrated on women's career apparel and took advantage of a growing merchandise category by opening Dress Barn Woman. The new division, which features women's clothing in sizes 16 to 24, now numbers 17. The chain also streamlined some operating procedures that are helping it run more efficiently. Last year, it introduced electronic registers to its stores. Plans this year call for POS scanning to be rolled out to all the units.

Apparel still accounts for the largest share of discount retail volume. Store openings and remodellings go on happily. Increasingly, however, retailers are finding they need to balance the merchandise mix. A number of the traditional off-price apparel chains increased sales with new product mixes.

Marshalls experimented with larger prototypes. Most of the increased space at the chain's "superstore," however, was used for home furnishings and gifts while apparel floor space remained stable.

Burlington Coat Factory continued to do well in all apparel areas. The retailer's merchandise mix still leans heavily on outerwear, which accounts for 50 percent of company sales. Sportswear and other apparel registers about 40 percent of sales. The other 10 percent includes merchandise such as linens and juvenile furniture, both formerly leased departments. Burlington now runs these two areas itself, while shoes, jewelry and housewares are leased departments in its 149 stores.

Almost all the stores expanded the accessories mix. Some added space in the apparel area, while others created an independent accessories department.

Despite this balancing act being performed by discounters, apparel still accounts for a robust portion of the sales volume.

Advice from Kurt Salmon Associates, retail analysts, is not innovative, but still holds true. "The ability to interpret new fashions, and make fit and value the differentiating factors will again be the major components of effective merchandising in women's wear next year."

American Fare, Atlanta: *Most of the women's wear discounters had a successful year in 1989 through sales of dresses, casual sportswear and knits.* (DSN photos)

Ladies' Wear $21.5 Billion	
Full-Line Discounters	$15.2B
Catalogers	0.3B
Specialty Discounters	$6.0B
Full-Line Discount Store Productivity	
Sales	$15.2B
Sales Per Store	$1,936,306
Dept. Size	11,000 Sq. Ft.
Sales Per Sq. Ft.	$176.03
Turns	4.0
Initial Markup	47.2%
Gross Margin	32.5%

Source: DSN *research*

Jamesway, Matawan, N.J.: *The current trend for women's clothing is upbeat and comfortable—both in styling and fabric.*

Men's Wear Branded for Better Sales Volume

An emphasis on casual looks and the invasion of brands into discount retailing helped propel the men's wear category at the nation's discount stores.

From a fashion perspective, forecasters are quick to report there has been more going on in the men's market than in women's. National brand names and the quality that goes with them were substantially the reason for the huge success. McGregor, Brittania, Wrangler and Bugle Boy are only a few of the names that draw customers into the store. This gradual turnover is attributed to discounters trying to upscale with brand names , as well as the increasing incidence of private label names at the few remaining national department stores.

In addition, the shop-within-a-store concept got a big play in men's wear. McGregor and Brittania each experimented with their own concept departments. McGregor successfully won over retailers such as Jamesway, Pamida and Stuarts with its 600-square-foot shops. Wrangler is in the testing stage with this concept. In addition, Sasson, Gitano, Reed st. James and Lightning Bolt tried varying degrees of their own style shops.

Casual looks, and especially activewear, remains the driving force in the men's market. Golf shirts, sweaters and sweatshirts and pants are the items most readily merchandised at discount retailers. Surprisingly, in what would seem more of a women's wear trend, fashion items were doing better than basics overall.

Fashion jeans incorporating fashion finishes such as acid or stone washes and colorful sweaters are doing better than the average five-pocket jeans. Denim has been weak across the board in all markets. The only basics that continues to do well are underwear and socks. According to a report by Kurt Salmon Associates (KSA), analysts, name brand underwear—Hanes, BVD, Fruit of the Loom, as well as licensed brands—showed a 3 percent sales increase for 1989, second only to activewear.

Even at specialty stores such as S & K and NBO, which are known for their suit selections, display presentations have been designed with a younger, more casual man in mind. In the process, these stores have also upgraded the merchandise.

In general, many discounters have made the men's area more sophisticated. The new look of these stores comes with a higher price tag, however.

NBO introduced a new prototype recently using a brighter color scheme and extensive graphics. NBO claims that its new prototype signaled the store was "upgraded but not upscaled," with price points remaining about the same as in its other stores. However, Valentino and Tommy Hilfiger were among the designer labels that found their way into the store. In general, NBO had trendy merchandise, such as earth-colored shirts, baggier pants and collection-oriented lines featured in new chrome displays.

Ross Stores introduced "Attitudes for Him," its young men's department, in a new prototype introduced last year. Ross' aim to upgrade its men's wear led to further departmentalization. Within the men's area, it featured a "Locker Room," for college and professional team activewear and athletic apparel. In the same area, the retailer also opened a "Leather Shop." This brought higher price points into this store as well. Prices were as high as $225 for a short bomber jacket; $235 for a leather coat.

S & K jumped on the brand express and increased the labels it sold. In 1989 it debuted a "Best Value in America" program, where Deansgate suits and blazers were offered at fixed, "low everyday prices." The firm was successful with this approach, opening 19 stores during the year.

Sears also gave its men's wear department a needed lift. It emphasized national brands with its new prototype. More than 40 percent of the merchandise is devoted to brands. Video monitors were part of the new, glitzier display. The change also meant a readjustment in the merchandising mix. Standard discount brands such as McGregor and Campus were bid adieu. Higher-end brands such as John Weitz and Champion came on board.

According to KSA, discounters capture about 17 percent of the men's wear market as a whole. Discounters hope to increase this number with the better merchandise mixes and better merchandise in general.

An ominous cloud appearing on the horizon is the most recent sales report. The Market Research Corporation of America (MRCA) reported unit sales of men's wear in the first quarter of 1990 dropped 9 percent and dollar sales dropped 12 percent. Predictably, the casual categories—woven sport shirts, sweaters, knit sport shirts, socks, jeans and activewear—were six of the 13 items that did best in men's wear, according to the research firm.

Men's Wear $9.5 Billion

Full-Line Discounters	$6.8B
Catalogers	NA
Specialty Discounters	$2.7B
Full-Line Discount Store Productivity	
Sales	$6.8B
Sales Per Store	$866,242
Dept. Size	6,500 Sq. Ft.
Sales Per Sq. Ft.	$133.27
Turns	4.1
Initial Markup	46.5%
Gross Margin	33.4%

NA—Not available
Source: DSN research

Accessories, Jewelry Sparkle Basics

Fortunately for jewelry and accessory retailers, more women decided to stick to basics in clothing last year but played them up with fun and trendy accessories.

Jewelry and accessories have steadily increased their percentage of the soft lines market in the last few years. This category is especially prone to holiday selling periods, from Christmas to Grandparents' Day. It has managed to sustain a healthy momentum through the year.

Specialty retailers were quick to jump on the jewelry bandwagon. Accessory Place and Xtras, which have since merged, were among the first stores which cropped up exclusively devoted to this burgeoning market. Full-line discounters and apparel off-pricers were not far behind in realizing the importance of bracelets, bangles and beads. High sales per square foot, and the small amount of space actually required to make a jewelry department viable were among the major attractions.

In the last year, both full-line discounters and apparel specialty stores gave new importance to the category by either expanding the merchandise area or changing its placement within the store, all to capture the impulse buyer's attention.

Goldbro Jewelers, a catalog showroom chain based in Birmingham, Ala., recently opened an 11,000-square-foot specialty jewelry and giftware store in Huntsville, Ala. The chain considers jewelry "the key profits and expansion category of the '90s." It is not alone in that belief.

Though Burlington Coat Factory does not run its own jewelry department, it leases space to independent merchants. The company credits the department with attracting customers that may not otherwise come into the store.

Discounters such as K mart and Target moved part of the category into the apparel area, where shoppers could pick matching jewelry pieces, and where the possibilities of multiple sales were greater.

Others, like Ross Stores, put the jewelry and accessory departments front and center.

T.J. Maxx does run its own jewelry department and has been aggressive in creating a profitable merchandising center for the category. It has increased the number of jewelry departments in its store, lured by the amount of money to be made in a small space requirement, which amounts to two to three sportswear racks.

T.J. Maxx initially debuted jewelry departments in 120 of its 367 stores. By the end of this year, it plans to offer jewelry in close to 200 of its units.

The merchandising trends that emerged in this area are as diverse as the apparel offerings at these same stores.

(Continued on page 35)

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ANNUAL REPORT: PART II/CHILDREN'S WEAR

Discounters Claim Up to 40% Of '89 Children's Wear Market

From bike shorts to big shirts, children's wear departments often resemble mom and dad's closets in miniature.

Discounters are the dominant outlet for children's apparel, garnered anywhere from 30 percent to 40 percent of total children's wear sales.

However, the business got tougher for discounters in 1989. Heavy markdowns at department stores and the growth of mail order and other nontraditional distribution channels created a challenge for the established discounters in children's wear.

As in other markets, specialty stores are gaining ground in children's wear. Kids "R" Us, the apparel arm of Toys "R" Us, added 25 stores in 1989, ending the year with 137.

Montgomery Ward was also lured by this market. The chain has expanded its Kids Store specialty concept to seven units. In the next two years, 18 more are expected to open. While the original seven are freestanding stores, the retailer plans to open an adjacent Kids Store next to all future full-line Montgomery Ward units. This presents the best of both worlds—an established full-line discount department store name and the cachet of a contemporary specialty store.

Discounters without the advantage of freestanding units are trying to update the children's area in more modest way most noticeably through brands and better presentation.

Prange Way added four to eight rounders in 19 of its 25 stores for its children's wear merchandise. Caldor, though not changing the initial square footage, did use its space more effectively, adding a three-tier display in some cases where there was only one tier. Ames and Jamesway both created more distinct children's departments.

In most of these stores, Brittania and E.J. Gitano are leaders in boys' and girls' wear, respectively. Brands in general became more important measures of the children's department success. Lightning Bolt, French Toast and others found a home in discount stores. Even OshKosh B'Gosh, a formidable brand at the upper-end department store, realized the importance of the mass market, and finally began merchandising its products to Sears and JCPenney.

It may be a sign of things to come. Many retailers are increasing their price points for the children's area noting that higher-income shoppers that may have a stigma about shopping for themselves at K mart are more than willing to dress the kids there. Bradlees and Burlington Coat Factory both reported that a larger percentage of brands, and sometimes in a broader range of price points, were now the norm at their stores.

Quality and Fashion Expectations

Brands by definition tend toward higher price points, but retailers reported higher expectations of quality and fashion as well. Even a six-year-old can tell you what Gitano is.

Trends in children's wear mirror what is going on in junior and adult apparel. Beach lifestyle clothing, including jams, tanks and bike shorts created bright displays in sunny colors. Casual looks still dominate the market. This real thrust toward comfortable clothing has given new impetus to knitwear. Sweaters, leggings, sweatshirts and T-shirts are especially good sellers for discounters and are prime product targets for licensing. If there is a six-year-old that doesn't recognize the Gitano label, he will know each of the Teenage Mutant Ninja Turtles by their first names.

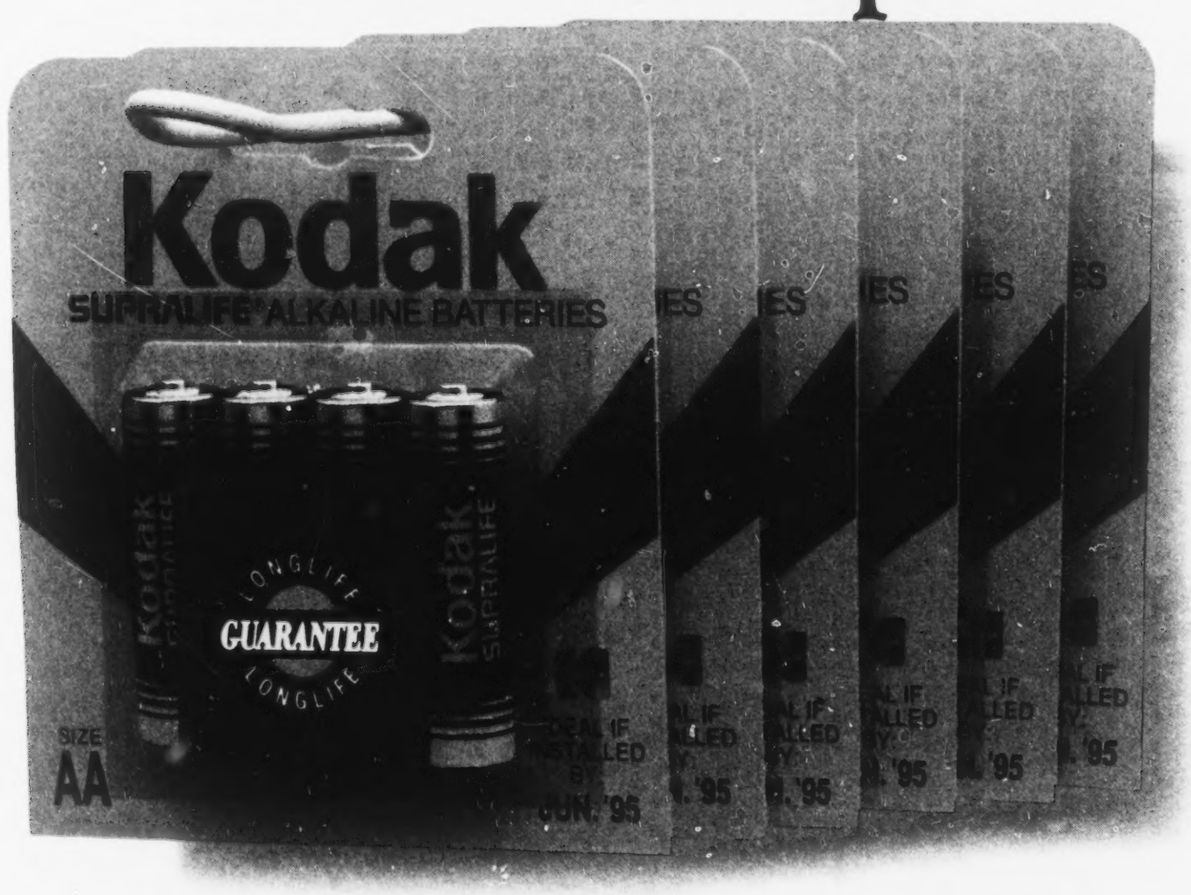
Interestingly enough, the solid, reliable blue jean was perhaps the worst performer in this market. Knit leggings, which have been the favorite in girls' bottoms for the last five years were the biggest culprits. In boys' wear, it was casual trouser styles, as well as sweatpants, that put a damper on jean sales.

One research firm reported a 2 percent decrease in children's jean sales. Girls' jeans did better. Thanks to MTV, singer Madonna has helped the blue jeans image by wearing them at a capri length. Discounters remain the leading distributor of children's jeans.

Children's Wear $8.2 Billion	
Full-Line Discounters	$7.1B
Catalogers	NA
Specialty Discounters	$1.1B
Full-Line Discount Store Productivity	
Sales	$7.1B
Sales Per Store	$904,459
Dept. Size	7,500 Sq. Ft.
Sales Per Sq. Ft.	$120.59
Turns	3.8
Initial Markup	44.5%
Gross Margin	30.5%

NA—not available. *Source: DSN research*

Rack 'em up.



Accessories, Jewelry Made Basics Fun, Trendy

(Continued from page 33)

Silver jewelry and ethnic looks were big sellers last season. Ethnic referred to anything from Indian or American to Guatamalan and Brazilian. Natural materials and earthy colors did best. In addition, the familiar hot pink and glow-in-the-dark lime green seen in beachwear, especially for juniors, also trickled down to the jewelry counter. The look of a perfume bottle as a charm at the end of a rope is also a continuing trend at retail.

Watches continue to be among the biggest movers on jewelry counters. With sporty watches now a wardrobe completer, everyone now needs more than one to make a fashion or style statement. For the young or young at heart, watch faces with pop art designs, planet earth and the phases of the moon continue to be big sellers. In addition to the nostalgia styles reminiscent of Indiana Jones, dressier Chanel looks and various Rolex look-alikes in gold and silver combinations are becoming prevalent at discounters.

In the watch category especially, some manufacturers have taken an apparel industry phenomena into the jewelry category: licensing.

Gitano, McGregor and Brittania are familiar names that are now mainstays in watches. In addition, licensed characters are also a selling point for watches. Disney may have set the standard with Mickey Mouse. Today, Snoopy and Garfield join licenses of the moment such as Batman and Dick Tracy in the watch display counters.

These character products also spurred an interest in children's jewelry. Packaged earring and pendant sets are among the popular holiday items in both children's and adult lines.

Trendy styles and the correct merchandising displays are the more important characteristic of this category, more so than price. In the last year, more stores have consciously upgraded their mix. The price points for the jewelry category, even at discounters, now go as high as $200.

Ross, for instance, was one discounter that brought in higher-priced items and expanded its jewelry counter.

In the prototype stores opened last year, fine jewelry and higher-end accessories helped upscale the look and purpose of the store. Department store-style glass cases housed 14K gold and pearl jewelry as well as national brand name watches such as Guess?, Monet and Bill Blass.

Rose's, the full-line discounter based in Henderson, N.C., opened a smaller prototype store last year, but jewelry was one of the categories it decided was important enough to emphasize. Among the merchandising adjustments it made in all of its 250 units was a better, more varied mix of jewelry vendors and suppliers, most notably in the all-important watch category. Timex basics were mixed with alternative trendy choices such as Casio and Armitron watches.

Jewelry $5.7 Billion	
Full-Line Discounters	$2.2B
Catalogers	$2.7B
Specialty Discounters	$0.8B
Full-Line Discount Store Productivity	
Sales	$2.2B
Sales Per Store	$280,255
Dept. Size	650 Sq. Ft.
Sales Per Sq. Ft.	$431.16
Turns	2.0
Initial Markup	52.2%
Gross Margin	42.9%

Source: DSN research

In addition, it made it tempting for customers to come back for more. Themes of costume jewelry were changed every six to 13 weeks. And to further entrance the buyer, much of the merchandise was taken out of enclosed glass cases and put on vendor-supplied counter-top displays. According to Rose's, an additional four to five salespeople were added to maintain and sell the new and improved department.

At the opposite of the end of the service spectrum—requiring no salesperson at all—is an interactive, computer terminal kiosk introduced by Pace Membership Warehouse. The terminals are supplied by Jan Bell Marketing, a large supplier of jewelry to the membership warehouse industry.

The terminals allow customers to view the jewelry available through a touch-screen computer. While 80 to 100 different products are merchandised at Pace, higher-priced special order merchandise can be viewed and ordered through the terminal. The computer then provides a receipt showing product specifics and prices which is brought to the Pace pick-up counter.

Sarah Coventry also used an interactive electronic system to help customers chose jewelry based on their face shape and coloring. The compact stand-alone fixture, in addition to the electronic marketing system, has built-in space for replacement inventory. It was initially placed in 2,000 Wal-Mart and K mart stores.

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HOME PRODUCTS

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Home Decor Fueled by Fashion

Non-Electric Housewares Focus On Looks, Not On Functionality

ANNUAL REPORT PART II

The desire of consumers to embellish their home environment remains a key source of discounter profit and sales dollars in non-electric housewares. This craving to spruce up the home is pushing sales into merchandise categories whose only function is to beautify.

The home products department is being recast at some chains as decor merchandise—items that are high in fashion but low in function—have flourished. Most notable are crafts and the subcategory, silk flowers. Both are intimately linked with the color themes of the home.

The craft category's home decor connection has resulted in expanded crafts departments at regional chains such as Harts, Columbus, Ohio, and Jamesway, Secaucus, N.J., as well as the profitability of burgeoning discount craft operations like those undertaken by variety store chains such as Ben Franklin and Winn's.

Jamesway has been experimenting with an enlarged department which is set off from the rest of the store with an awning. Harts is currently testing an enlarged crafts department and may increase the footage devoted to silk flowers. Silk flower volume escalated in response to an everyday low price in the category.

While the news in non-electric housewares has been color and style during the past several years, at least one category which is nearly devoid of fashion appeal is expected to rise in popularity during the 1990s. The one-two punch of "cocooning" and environmental awareness could inject life into steady home canning supplies sales.

These factors, coupled with an undertow of fear linked to dangerous produce (pesticides used on imported fruits and vegetables, alar on apples, health hazards linked to grocery store produce sprayers) is apt to drive consumers to their backyards for fresh foods in the '90s.

The push of environmentally safe products and the corresponding pull by consumers for these products led to turmoil last year in the trash bag industry. The bottom line, however, was that, in the absence of any governmental standards, no kind of degradability was determined to be safer than any other. Nonetheless, the trash bag controversy should lead to greater discretion by manufacturers in the environmental claims they make for the products.

Household chemical manufacturers are already introducing cleaners that contain more environmentally benign ingredients. Ready-to-assemble furniture manufacturers are re-evaluating the packing materials and cartons they use to ship furniture. Numerous other changes will undoubtedly buffet the housewares department in the years ahead.

Concern about the environment is one facet of a growing appreciation for the outdoor lifestyle. Outdoor dining is also cultivating an increased demand for melamine, acrylic and other unbreakable servingware including licensed juvenile serveware.

Private label tabletop assortments, whether imported or domestically sourced continued to gain momentum. The catalog showroom chains like Consumers Distributing and discounters, ranging from regionals such as Caldor and leading national chains like K mart, are trying to exploit the profit potential behind exclusive patterns. Even membership warehouse clubs such as Pace are working with individual vendors for exclusive tabletop patterns, at least for the first six to 12 months after the launch of a new design.

The jury is still out on how successful K mart's Martha Stewart line has been with consumers. The tabletop collection brought together various combinations of striped, solid and banded dinnerware in peach and aqua with complementary glassware, flatware and table linens.

Black and white were featured by virtually every specialty store and catalog showroom operator during 1989. Most will keep black and white as the main thrust of the decorative housewares area during 1990. Discounters will further experiment with lower priced adaptations of black and white.

Jewel tones are trickling down from department stores into specialty and catalog showrooms at present. By next year, upscale full-line discount department store shoppers will begin to show interest in accent pieces such as vases in these colors.

Non-Electrics $8.2 Billion	
Full-Line Discounters	$7.4B
Catalogers	$0.8B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$7.4B
Sales Per Store	$942,675
Dept. Size	6,000 Sq. Ft.
Sales Per Sq. Ft.	$157.11
Turns	3.3
Initial Markup	38.6%
Gross Margin	30.4%

NA — not available

Source: DSN research

(Continued on page 41)

Market Saturation Threatens Appliance Sales

Appliances, with the exception of those geared toward home health care and select others such as vacuum cleaners, were generally in the doldrums during 1989 due to market saturation of some products, a dearth of truly new products in many categories and contracted square footage at several stores.

Store space for electrics was generally undermined by consumer demand for home decor merchandise and retailers' decisions to capitalize on the comparatively high margins of an expanded decor assortment. Electric housewares and personal care assortments were pared down, frequently to a promotional model and a step-up model, with the exception of hot categories such as vacuum cleaners.

The direction of kitchen electrics is certain to take a few twists during the '90s following Conair's purchase of Cuisinarts, and Electrolux's acquisition of Regina last year. And, Mr. Coffee's recent initial public offering will also shake up the fray.

Vacuum cleaner sales climbed during 1989 as consumers traded up to multi-featured models, and traded out to multiple unit ownership; the mini-vac business triggered a new appreciation for different size vacuum cleaners for different cleaning jobs. Sales of mini-vacs, stick, upright and canister models will be helped this year by increased square footage at catalog showrooms, membership warehouse clubs and traditional full-line discounters.

Microwave oven sales continued to decline last year and discounters responded by cutting back space. Some chains reduced footage back to little more than a promotional endcap. Food processor sales were flat or falling, depending on the chain and region.

The food processor market is similar to those for microwave ovens and certain other appliances: currently it is primarily a replacement market and consumers went to specialty stores for guidance, and upgraded, full-feature models. The downsized miniprocessors were one segment with modest growth.

"Nobody has been making money during the past couple of years. There is room for compelling design and features to command higher price points," in food processors, according to Barbara Pape, Black & Decker's marketing manager over food preparation appliances.

Pape has forecasted a drop in sales during 1990 despite strong sales of the company's downsized Handy Shortcut Micro-Processor.

Lewis Mendelson, executive vp with Dazey Corp., forecasted that kitchen appliance sales will be increasingly an item business. The microwave oven made most traditional oven cooking accessories nearly obsolete.

"Products that are complementary to the microwave oven or perform tasks that the microwave cannot will grow in importance," he said. As examples, Mendelson cited the popularity of the company's smokeless broiler, cooker/fryer and waffle iron.

The personal care electrics department however, especially products that fall under the "feel good" umbrella such as massagers, dental care appliances and home spas are expected to remain on the same fast sales track enjoyed during the past 24 months: as high as 20 percent to 25 percent vol-

(Continued on page 41)

Personal Care $3.0 Billion	
Full-Line Discounters	$2.8B
Catalogers	$0.2B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$2.8B
Sales Per Store	$350,000
Dept. Size	750 Sq. Ft.
Sales Per Sq. Ft.	$466.60
Turns	3.5
Initial Markup	34.3%
Gross Margin	21.1%

Electrics $2.4 Billion	
Full-Line Discounters	$1.9B
Catalogers	$0.5B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$1.9B
Sales Per Store	$242,038
Dept. Size	800 Sq. Ft.
Sales Per Sq. Ft.	$302.55
Turns	3.5
Initial Markup	33.2%
Gross Margin	21.1%

NA — not available

Source: DSN research

Service, Minilabs Trigger Rebound in Category

The photo category came back strong at discount stores in 1989, posting higher sales, gross margins and sales as a percentage of total revenues. What's unclear is why.

There were some contributing reasons for the increased activity, including new product introductions that stirred and expanded the size of the market, providing more opportunities for discounters.

The category has become stronger with Americans as a whole, perhaps due to the revolution in feature-laden, inexpensive automatic 35mm cameras and improved minilab performance. At the same time, though, more and more players have entered the market, so discounters' increased share of a slightly larger pie is doubly impressive.

Rising sales, not surprisingly, led to an increased focus on the category over the past year, and Wal-Mart and K mart, to name two, have made a renewed commitment to photo products. K mart, in its latest prototype, now merchandises 35mm cameras (including advanced SLR products) right next to camcorders. All models can be picked up and handled by customers (they're secured by a flexible wire), and the department is serviced by knowledgeable help who can explain features and benefits.

Wal-Mart, similarly, has upgraded its department, adding higher-end products like Minolta's Maxxum at very attractive prices. Its photo department, as seen in its vendor stores, is within the consumer electronics department, but is staffed separately. Again, knowledgeable sales help seem to be a key to increasing sales.

Photo has also become a featured product area for regional and local discount chains, and consumer electronics retailers who seem to be stepping up their involvement in the category as well.

Photo $3.4 Billion	
Full-Line Discounters	$3.1B
Catalogers	$0.3B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$3.1B
Sales Per Store	$394,904
Dept. Size	500 Sq. Ft.
Sales Per Sq. Ft.	$789.81
Turns	3.8
Initial Markup	25.9%
Gross Margin	18.0%

NA-not available

Source: DSN research

Photo and camera, K mart Oak Park, Mich.: *Selection and knowledgeable service have boosted sales.* (DSN photos)

Auchan, the Houston hypermarket operator, is a good example. Its department, adjacent to consumer electronics, features dedicated photo sales help, high-end products, a film wall, and ultra-competitive prices. According to the company, it will not only compete with local Houston prices, it will match national catalog and mail order prices, including shipping costs. To date, the company seems to have carved out a niche in advanced products by both discounting high-profile products like the Maxxum *and* providing semi-expert customer assistance.

The same holds true for San Francisco-based The Good Guys. President Ronald Unkefer credited at least part of the CE chain's record sales increases of the last half of 1989 to its aggressive entry into the photo market.

Office supply superstores also seem to be getting into the act, as have grocery stores, convenience stores and, of course, drug outlets.

Despite the increased competition, the category continues to grow at full-line discounters, although not at levels recorded a decade ago when the first automatic 35mm cameras gained wide acceptance. The reason for the growth appears to be wider availability coupled with greater picture-taking value.

The new generation of autofocus cameras make virtually anyone a competent photographer, which has altered the photographic demographic forever. Where dad once kept a relatively sophisticated SLR in the closet for special occasions, now the average home probably contains several cameras, most pocket-sized or close, and more often than not operated by everyone in the family. And, more to the point, those cameras probably cost $50 or less. With opening price points for 35mm products as low as $10, a camera is no longer a luxury or something so special that it has to be kept under lock and key.

The result has been an explosion in picture taking and processing, the area where the real money in photo is made. Discounters have quickly applied the stapler/staples equation to the category: they're willing to sell both the camera and the film at marginal markups to attract the photofinishing business.

The quantum leap the photofinishers have made in simplifying their minilab operation, including speed, has played directly into the discounter's hands. Now discounters can operate their own photofinishing businesses staffed with minimum wage help and provide an important customer service.

The entry of Polaroid into the 35mm film market has had an effect. Although Polaroid's OneFilm has not made a profit yet, it has joined with Fuji and other brands to open up the film category, long Kodak's exclusive preserve at the mass market level. While Kodak still dominates the category handily, Fuji has increased its market share and last year showed a larger profit than its much larger competitor.

The result of increased competition has been, predictably, better value for consumers. Prices have held steady against inflation, and various value-added promotions (free extra frames, $1 off coupons, free gifts and so on) have made film purchases less painful for the average consumer.

In the future, camcorder and still video cameras will probably start to cut into 35mm sales. Camcorders, particularly 8mm and C-VHS (compact) formats, have made the technology as attractive as 35mm by making it both portable and easy-to-use. Still video resolution isn't great yet, but it will improve rapidly as the market heats up.

However, it is unlikely that either product will ever reach the low initial investment of 35mm. Keystone, for instance, now has a telephoto model on the market that will sell for under $40.

Women and children are becoming loyal 35mm users, and they will continue to value simplicity and reliability, both of which photo now delivers.

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Wal-Mart, Charlotte, N.C.: *Discounters have now brought their photofinishing operations in-house.*

Chains Widen Offerings As Price Points Decline

Consumer electronics has become increasingly important to full-line discounters, who until recently had ceded the category to superstore specialists, at least at the component/advanced technology level. But in the past year, more discounters have become aggressive CE merchants.

As usual, Wal-Mart has led the way. After de-emphasizing the category in the mid-'80s, the chain has come back strongly, adding component compact disc players, fax machines, personal computers, hi-fi VCRs, and other advanced products. Of course, the mix still contains the usual run of rack systems and boom-boxes, but the average ticket price at Wal-Mart has certainly skyrocketed.

K mart, too, particularly in its Oak Park, Mich., prototype, has stepped up its CE business. Newer stores and remodels now feature big-screen televisions, advanced VCRs, compact disc players and other relatively upscale electronics. Additionally, the chain has multiplied its software presentation, offering a vastly expanded selection of compact discs, prerecorded video and blank media.

And discounters aren't making these changes just to show that they're on top of the market. Sales are climbing in the category, and more important, so are profits.

A K mart store manager noted that while the large-screen television presentation makes a "statement" to customers, they sell too. "If they didn't sell, they'd be out of here," he said. Sales in that category are still slow, but the manager noted that they were picking up. "Consumers had to get used to us carrying them first," he explained.

One of the more interesting trends is the near-universal increase in full-price software. Until recently, the average discount store carried the top 20, a few standards, and a lot of $2.99 cut-outs. Now, K mart, Wal-Mart and Target, among others, have greatly increased their sku counts. Wal-Mart has even turned the CD/cassette business into a major television advertising thrust, featuring rising rap and heavy metal artists (who may or may not have penetrated the Top 20) as drawing cards.

A major trend in CE is one that is just beginning to establish itself in general merchandise discounters. And that, of course, is home office. While the category has only gained a toehold so far, buyers at the recent summer Consumer Electronics Show flooded the booths of home office vendors, looking for products that fit in with their business plans.

With the opening price point for fax machines crashing (to as low as $349 this summer, and possibly $299 by next year), the product has reached a price point discount customers are comfortable with. The same has already happened with compact disc players, which now retail in the $150 range.

And now full-scale tests of computers, generally one-box, easy-to-assemble systems, are underway at K mart, Wal-Mart, Target and many others, and personal copiers won't be far behind. The accessory business has taken off, and business-featured telephones are now a part of most discounters' mix.

The key to most of these products is that they must have a true consumer application; a truly professional home office or small office user will probably choose to shop an office specialty outlet or electronics superstore. But there are evidently large numbers

(Continued on page 47)

Consumer Electronics $14.7 Billion

Full-Line Discounters	$6.7B
Catalogers	$1.0B
Specialty Discounters	$7.0B
Full-Line Discount Store Productivity	
Sales	$6.7B
Sales Per Store	$853,503
Dept. Size	2,300 Sq. Ft.
Sales Per Sq. Ft.	$371.09
Turns	3.5
Initial Markup	30.0%
Gross Margin	16.5%

Source: DSN research

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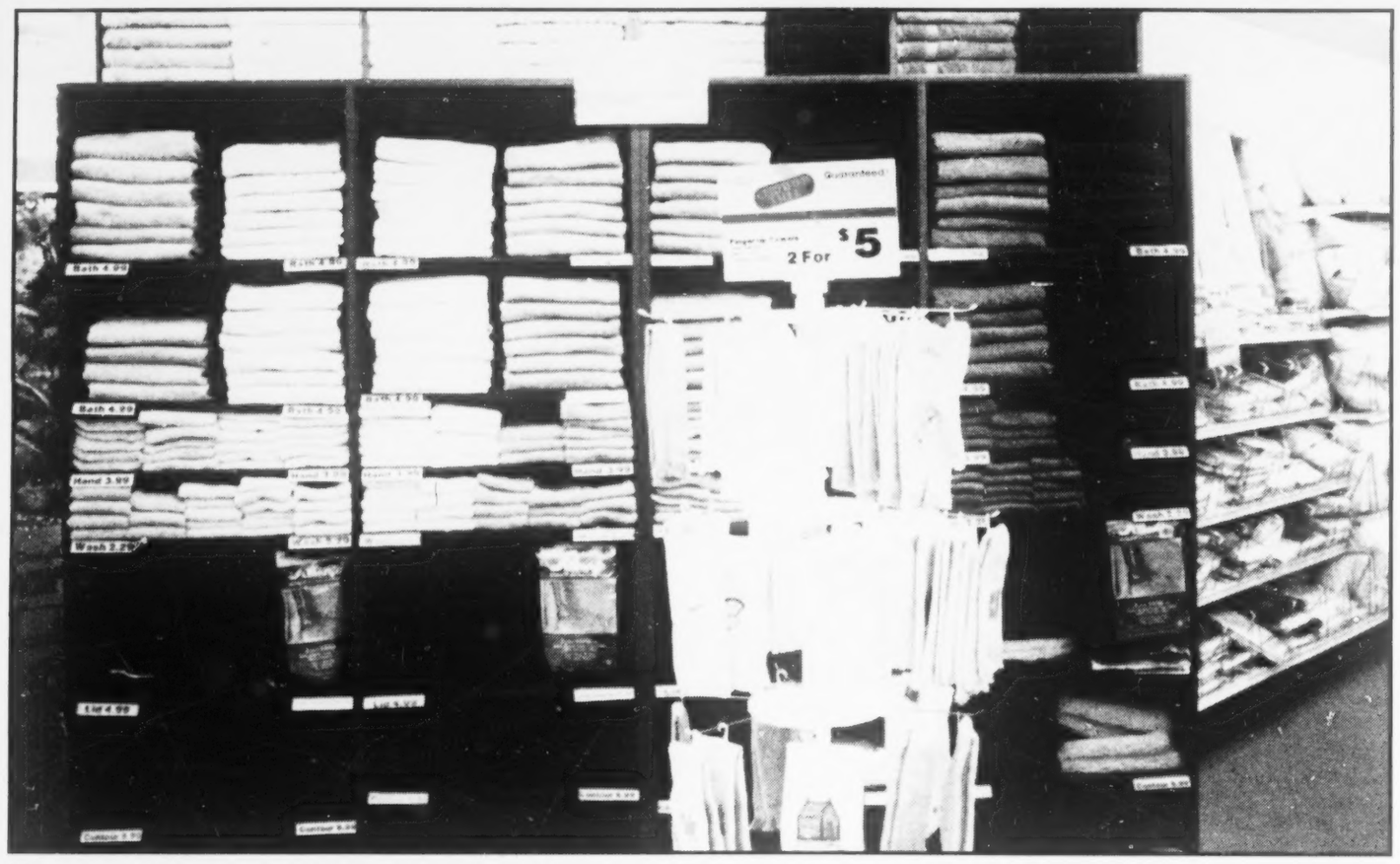
Full-Liners Profit From Lower-Priced Fashion

The trend has become a landslide. For over three years, discounters and other value-driven mass merchandisers have been cutting into the department store and specialty home fashions business, and in 1989, they became the dominant market outlet for both basics and fashion domestics.

The key has been the development by leading mills of fashion-oriented products that, through thoughtful cost-cutting measures, can now sell at mass market prices. While no discounter has yet introduced a totally successful program, the growth of K mart's Martha Stewart presentation and Target's Country Estates program have been harbingers of what the discount home fashions department of the future will look like.

Domestics $6.1 Billion	
Full-Line Discounters	$4.6B
Catalogers	$0.3B
Specialty Discounters	$1.2B
Full-Line Discount Store Productivity	
Sales	$4.6B
Sales Per Store	$585,987
Dept. Size	4,000 Sq. Ft.
Sales Per Sq. Ft.	$146.50
Turns	2.5
Initial Markup	44.2%
Gross Margin	34.0%

Source: DSN research



***Towel walls and embellished** merchandise came early to Fishers Big Wheel.* (DSN photo)

Discounters can thank, in part, the homogenization of American taste. What once was strictly regional (the Florida and Southwest looks, for instance) is now nearly universal. Southwestern can and does sell in the most traditional markets in the country, including hidebound New England. And with the country look finally starting to die, consumers are looking for something different, attractive and striking. Main beneficiaries so far have been Southwestern, French Country and formal men's wear looks.

The slowing of the country look has also opened the mass market to a wealth of exotic influences, from Greek country to Indian to Chinese. That trend has stimulated interest in home decorating. And in turn, that has led to trade-up buying, as consumers recognize added value in high-fashion and/or coordinated goods.

Target's Country Estates program, which a year ago consisted of a group of good-but-not-great country patterns, has leaped forward in fashion orientation, adding fully coordinated Southwestern and French Country looks (from JPStevens) while cutting its less-inspiring country patterns. That brings the program into line with the chain's overall fashion presentation, which has leaned heavily toward Southwestern and other contemporary looks.

Target has also beefed up the footage dedicated to Country Estates, doubling its 20 foot run to form a Country Estates aisle. The same mini-boutique approach has been successful in the toy and apparel departments.

Wal-Mart, which is now the most aggressive of discounting's Big 3, is rolling out a modified version of its successful vendor store domestics department, developed by Cannon. Featuring a department-store-like towel wall, half-bed coordinated displays, nearly double the space formerly reserved for domestics, and a sharp increase in fashion orientation, the departments have reportedly been much more productive than older versions. While Wal-Mart's customer base is probably a bit less adventurous than Target's relatively cosmopolitan shoppers, more sophisticated looks have virtually overrun the departments.

K mart's Martha Stewart program, which revolves around the Stewart sheet and comforter patterns, is establishing itself with the chain's customers, chairman Joseph Antonini noted at the company's annual meeting. Despite rumors to the contrary (and the recent resignation of divisional merchandise manager Marilyn Gill, who oversaw the Martha Stewart program), Antonini contended that the program met its goals after a slow start.

The net result, to date, is that the larger chains may be stealing the thunder of regional operators like Fishers Big Wheel and Prange Way, which have used the category to set themselves apart from their larger competitors. Big Wheel, for instance, developed its trend-setting domestics department some three years ago, adding a towel wall, coordinated selling and a heavy accent on embroidered and embellished products. The company also moved the department to the front of the store, a strategy that had been successful for then-president Stan Brenner at Prange Way, his former employer.

Sears and Ward have moved their name-brand, high-fashion domestics departments into high gear, with Sears experimenting with stand-alone versions to supplement its big store version. Ward, with its new "mini-mall" approach, dedicates the back of its stores to home fashions, accentuating bedding, window treatments and bath products, with smaller selections of housewares and furniture.

The other big winner in channels of distribution is the specialty store segment. Chains like Linen Supermarket, Pacific Linen, Stroud's and Linens & Things have increased their store counts rapidly over the past year, and most have become very aggressive in both price and fashion orientation.

Warehouse clubs have maintained a steady basics business, and their low sku count probably will keep them out of the high-fashion business, despite their ability to deliver name brands at ultra-low prices. The clubs must, by necessity, carry generic-type products for their prime customer base, which includes small motels, nursing homes, day care centers and other institutional consumers. That doesn't leave much room to maneuver in the often risky fashion business.

Department stores appear to be the long-term losers in the redistribution of the home fashions business. While there will always be a department store shopper who is willing to pay more for high-end products, department stores will have to fight harder for the fashion dollar. The very exclusivity department stores have traded in has been eroded badly in the last few years. For instance, embellished towels are now as commonplace at discount stores as at department stores. As the discount market continues to gather steam, more and more products, once the exclusive province of full-price retailers, will be made available to off-pricers.

If the fashion is in the same ballpark, it's probable that all but the most dedicated department store shoppers will defect to discounters and other off-pricers, particularly specialty stores like Pacific Linen, which offer department store amenities at discount store prices.

Chains Widen Offerings As Price Points Decline

(Continued from page 45)

of consumers who feel comfortable making these purchases at their neighborhood discount store.

And, of course, more rural discounters don't even have to worry about competition; they're often the only off-price game in town.

Along with home office, discounters are now looking at the cellular telephone business. Because of the peculiar nature of the business (the phones are normally sold at a loss with a rebate from the service provider making up the difference), there's a lot of hesitation among larger chains. Customers are frequently "hijacked" as they leave the store by freelancers who offer the consumer an instant rebate if they'll disconnect their newly acquired telephone number and sign on with the hijacker. The retailer, after investing time and effort in the sale, will then show a loss on its work.

However, vendors at CES reported that discounters see immense potential for the category, and are willing to jump through a few hoops to establish themselves as bona fide cellular sellers. So there will be a strong push in the category in the upcoming year.

That should hold true for a lot of products, particularly component audio, advanced televisions and computers. The CE category, after years of decline, seems to be coming back strongly, and with other product areas in decline, discounters will throw their resources at categories that offer them a better return on their investment.

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Home Office Spurs Stationery

Chains Stock Up on Higher-End Merchandise, Expand Offerings

ANNUAL REPORT PART II

No longer a black and white business, stationery departments throughout the discount store industry are painting the business red.

Fashion colors, particularly neon, licensed characters, improved greeting card displays, and office quality supplies are sweeping through discounter's stationery departments at daunting speed, taking advantage of customers willingness to pay more for products with perceived quality.

No longer just a seasonal business, stationery is a year-round seller delivering substantial sales and profits to discounters.

Driving the business in recent years has been the exploding home office sector that has affected sku mix, price points and merchandise presentations at the discount department store level. The apparel and toy businesses also have had their effect on the stationery business, expanding the parameters for licensed products and color, particularly neon.

Overall, discounters have found that their customers are willing to spend more for better quality products, licensed goods and fashion-oriented merchandise, if they perceive improved quality, and report they will seek out more of these products for their everyday offerings.

Discount store retailers, in ever increasing numbers, started expanding their office stationery selections last year as a way of participating in the office supply business. Several avenues were selected, among them multipacks, bulk displays, some office-grade products, and sharper pricing, all to appeal to homebound office workers.

Initially, discounters were leery of participating in the home office business, particularly last year when paper prices were rising on commodity goods, but the advantage for incremental sales has changed that for many of them, particularly Stuarts.

Last year was a "super fantastic year" for Stuarts, said Linda Harrison, stationery buyer for the 23-store chain based in Franklin, Mass. During the year, Harrison implemented a warehouse office/stationery program that Bradlees has since started testing.

While Stuarts did not create the warehouse office stationery program to compete directly with the office supply superstores or warehouse clubs, the program was created to appeal to the at-home user whose office supply needs may be satisfied with fewer sku's in a smaller environment. At first, 25 of the fastest moving office stationery sku's were selected for the special program. Now Stuarts' offers 30 sku's with warehouse pricing.

Stuarts' program, and now Bradlees', may be only the first entries by discount department stores to compete with the office superstores. But they aren't alone. Many discounters, including K mart, Wal-Mart, Hills, Ames and Target have created home office departments in space culled from social stationery to answer the battle cry of the superstores.

Wal-Mart, Harrison, Ark.: *Bulk displays of notebook paper represent one way for full-line discounters to tap into the surging stationery business.* (DSN photo)

Stationery $4.8 Billion	
Full-Line Discounters	$3.0B
Catalogers	NA
Specialty Discounters	$1.8B
Full-Line Discount Store Productivity	
Sales	$3.0B
Sales Per Store	$382,166
Dept. Size	2,000 Sq. Ft.
Sales Per Sq. Ft.	$191.08
Turns	4.3
Initial Markup	47.1%
Gross Margin	42.0%

NA—not available

Source: DSN *research*

Although the office superstores are geared to service small-to mid-sized businesses, there is some overlap among all of the retail players and many discounters aim to attract sales from the small business user, the home-based worker and the stationery purchaser.

Sales opportunities for home office stationery products should continue increasing as business formations explode. Last year alone, 21.7 percent of the nation's labor force worked at home and spent $2.7 billion on home office accessory products such as computer paper, appointment books and telephone answering pads, excluding furniture and electronic equipment.

Back-to-school stationery and home office supplies through the mass market channel have grown remarkably in the past few years as evidenced by the record attendance at February's Back-To-School Merchandise Show and the large number of office stationery products that were on display. The show boasted 11,168 registered buyers for the three-day event at New York's Jacob Javits Convention Center. In addition, the *DSN*-sponsored early morning seminar at the show, this year entitled, "Update '90: Projecting Trends and Developments Over the Next Decade" drew more than 200 people, also a record crowd.

Some of the trends identified during the seminar, and still valid today, included fashion's stronger impact on the category; the possibililty of creating sales opportunities with college related materials in college towns; the willingness of customers to trade up to higher-grade products if the perceived value is present; and the willingness of retailers to use distributors.

Some of the new products at the show included the new greeting cards displays that feature more cards including a greater representation of non-occasion greeting cards and religious themes, hot categories for greeting card retailers; more recyclable paper products for home and office; and 3M's pre-cut tape strip and label protector, Post-It Notes facsimile transmittal memo paper and new red and silver packaging.

Licensed products were also in huge supply as were neon-encrusted products in just about every category.

Despite the popularity of both licensed properties and neon, buyers were cautious about buying too much of each, explaining they were being careful not to overbuy for what could be short-lived phenomenons.

Licensing, which generally runs in cycles, has been enjoying a renaissance the last few years. Licensed properties have been growing at between 5 percent and 7 percent annually. But last year, licensed products grew by 8 percent over 1988 to $6.8 billion at retail, according to the 14th Annual Licensing Industry Survey released by The Licensing Letter, Scottsdale, Ariz. Licensed stationery goods, which is part of the survey's publishing/stationery category, accounted for 10.5 percent of all licensed product sales in the $64.6 billion business. Some of the hot licensing characters in stationery include Mickey Mouse and other Disney characters, Sesame Street, Peanuts, Garfield, Ziggy and Holly Hobbie. Dick Tracy and Teenage Mutant Ninja Turtles Corporate licenses such as Coca-Cola also are important in this category.

What's different about licensed properties this year than in the past is retailers' greater reliance on classic characters. While "hot" properties still command a lot of media attention and generate quick sales, many are seen as flashes-in-the-pan and not reliable sellers day-after-day. Since sources agree that licensed properties account for about 10 percent of a company's total department, composing a program that will return steady sales is important.

Among the many new programs released this year are Holly Hobbie by American Greetings, a mainstay for the greeting card company, Paddington Bear, Tom and Jerry cartoon characters and Little Golden Book Land characters by Sangamon, and Alvin and the Chipmunks by Ambassador. Also at Ambassador, Star Trek and Disney's Winnie the Pooh are scheduled to be launched in 1991, according to Susan Meek, manager of licensing acquisitions for Hallmark Properties, which is the licensing arm of Hallmark and Ambassador.

Mead and Stuart Hall, stationery manufacturers with strong back-to-school businesses, report they too are concentrating on the classic characters.

At the 1990 B-T-S show Mead introduced Looney Tunes characters including Bugs Bunny and Tweetie Bird. Mead also is concentrating a lot of energy on its own internally generated programs, including Super Shades. At Stuart Hall, Lisa Frank, the artist and designer, is being spotlighted as are Sesame Street and Holly Hobbie.

'Green' Products Beckon As Higher-Ticket Items

New products that environmental worries have spawned, such as can crushers and mulching mowers, promise to add a bit of sparkle this year to the hardware and lawn and garden categories.

Otherwise, hard lines merchandisers still are looking for the smash hits that have eluded them for several years.

Lacking a runaway success category, hardware merchandisers are emphasizing basics, controlling inventory by culling, promoting prices aggressively, seeking out better value buys, and concentrating on department organization and being in stock.

And a merchandising study from the National Retail Hardware Association emphasizes anew the need for fundamentals of merchandising, proper end capping, cross-merchandising and use of dump bins.

"I wish I could tell you about eight categories that were blowing out the door, but I can't," said Frank Schutzman, hardware buyer for Fisher's Big Wheel, New Castle, Pa. "I don't see anything hot, except for a can crusher for recycling."

Water filters were supposed to be a smash hit two years ago, Schutzman said, but they are proving to be a slow build category, rather than an instant success.

Fisher's Big Wheel is attempting to make special buys that "will shove value to customers," Schutzman said.

Lacking any hot product category, Fisher's "is hot to get better management," he said. The chain is reviewing every product in an attempt to decrease inventory and get better turns. Schutzman said the reduction will come by eliminating an item here and there, rather than entire categories.

One Northeastern chain is approaching hardware merchandising through better efforts to stay in stock and more aggressive price promotions, the chain's divisional merchandise manager said. A new aisle merchandiser from Royal Tools is bolstering hand tool sales, he said.

Bradlees also is using the Royal merchandiser, a series of open wooden bins on each side of a freestanding unit. Stanley is another of several vendors that provide tool bins as an alternative to peg boarding.

The chain recently expanded its Stanley tool line and "has done very well" with them on ad, the dmm said.

Father's Day was "a little disappointing," he said. He attributed a decline to the lack of newness of products, as well as lessened vendor promotion of the holiday.

Tools, Fred Meyer, Chico, Calif: *Fred Meyer's inaugural California store offers a variety of power tools—Skil, Makita and Black & Decker—at a wide range of price points.*

In one exception, Black & Decker cordless tools did well for Father's Day, the dmm said, such as cordless screwdrivers at $14.99 and the cordless ratchet, introduced last year, at $39.99. Prices on motion detector light units from Intellectron dropped 15 percent more the past year to $14.99 on ad, $19.99 everyday. The floodlight bulbs sold separately now produce more profit that the motion detector unit itself, he said.

Environmental products will have "a big play in the future," the dmm predicted, even though his chain has yet to develop a strategy for merchandising such products as composters and the recycling bins that Tucker Housewares will introduce at the Hardware Show in Chicago next month.

"I'd love to see killer items come along, so we can make some money for a couple of years," the dmm said.

Meanwhile, the chain is attempting to keep its hardware departments, which aren't planogrammed, "as organized as you can be in hardware."

Indicating the potential for environmental products, Tucker Housewares is introducing its five-sku line of recycling products that would sell for a total of $74 at suggested retails. They are: 12-, 16- and 20-gallon recycling bins, a metal rack for newspapers and a folding hand cart for hauling bins and bundles to the curb.

Their bulk suggests that the hardware department might be better able to accommodate the line than housewares.

Lawnmowers, Caldor, Bricktown, N.J.: *Traditional power mowers may become a relic if environmentally friendlier mulching mowers catch on.* (DSN photos)

Mulching mowers and organic fertilizers and pesticides also represent new opportunities for merchandising around higher tickets.

Mulching mowers, which grind grass clippings and blow them into the lawn to rot in place, sell for at least one-third more than conventional mowers. Nonetheless, consumers are accepting them because of the convenience of not having to bag grass clippings and an ever lengthening list of localities that ban grass clippings from their dumps.

Towns in at least 32 states have such ordinances on their books. The latest is Chicago, which banned grass clippings, effective July 1, sending homeowners scurrying for alternatives.

As an indication of the potential for walk-behind mulching mowers, Sears, Roebuck & Co., Chicago, ordered 3,000 of its Craftsmen private label mulchers for 1990, the first season. It then quickly ordered 10,000 more.

Since mulching grass clippings puts nitrogen back into the soil, mulching mowers threaten to cut into lawn fertilizer sales by an, as yet, undetermined percentage.

The growing number of bans on yard waste also could promote sales of other equipment to deal with it, such as chippers and leaf shredders, as well as composting starters and composting bins.

Another new environmental product is Nature's Choice, a line of organic lawn and garden fertilizers from Northrup/King, Minneapolis. Made of composted chicken manure, Nature's Choice will cost consumers at least twice as much as chemical fertilizers to buy the same amount of plant nutrition.

Northrup/King, which got out of chemical fertilizers and pesticides five years ago, will introduce the line at Expo '90, the lawn and garden show in Louisville at the end of the month.

Nature's Choice would get a powerful boost in California, if an initiative measure on the November ballot passes. The measure would ban just about every product that one major vendor makes and prompt makers of garden chemicals to spend heavily on research and development for environmentally safe products or to acquire subsidiaries that produce them.

Safer, a leader in organic pesticide soaps, has gotten so many buyout offers that it put itself on the auction block last month in order to find out how much the company could fetch.

Environmentally safe products could account for anywhere from 40 percent to 80 percent of the market within five years, predicted Dr. Chuck Greenidge, president of Greenidge & Associates, a consulting firm in Evergreen, Colo.

With threatened restrictions on garden chemicals, discounters may no longer be able to acquire homogeneous lines from a single vendor, Greenidge warned. If that happens, they may have to step in with their own merchandising to teach customers how to use organics.

Wal-Mart is cross-merchandising another environmental product, the Glacier Pure water filtration jug, in hardware, as well as housewares.

In another move, Wal-Mart is upgrading its hand tool offerings while reducing its reliance on imports. It has taken on a 10-sku line of Diamond brand adjustable wrenches and pliers from Triangle Tools at twice the price of the imports it still offers.

If discounters need any reminder about the importance of merchandising a staid category, a new study sponsored by the National Retail Hardware Association provides statistical evidence.

In a 90-day study last year of tried and true merchandising techniques, the study found that proper endcapping, including a price sign, boosts sales by 229 percent, that cross-merchandising increases sales by 67 percent and that dump bins raise sales by 43 percent.

Although such merchandising techniques are old hat to discounters, "the magnitude and power of the sales increases is the real news," said Brad Farnsworth, president of the Farnsworth Group that conducted the study at 55 hardware stores and home centers. The findings are directly applicable to discounters, he said.

Hardware* $7.1 Billion	
Full-Line Discounters	$7.0B
Catalogers	$0.1B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$7.0B
Sales Per Store	$891,720
Dept. Size	4,500 Sq. Ft.
Sales Per Sq. Ft.	$198.16
Turns	2.5
Initial Markup	40.0%
Gross Margin	32.0%

*Includes paint
NA—not available

Source: DSN research

Special Report

Wholesale Clubs Consolidate

The Top 11 clubs account for 97% of industry sales, which are projected to mushroom 25% in '90

More wholesale clubs are adding fresh meat departments to their mixes. Primary customers are small restaurateurs, caterers, and people who cook for schools, nursing homes, fire houses, churches, etc.

The membership warehouse club industry is continuing to consolidate.

Last year, Buyers Club and American Wholesale closed down operations, while K mart acquired Pace. This year, K mart will merge its existing nine-unit Makro membership club chain into the 47-unit Pace group.

The move will make K mart the owner of the wholesale club industry's fourth-largest chain in dollar volume.

In this trade class, the four largest chains generate 82 percent of volume, and the top 11 ring up a whopping 97 percent of all sales.

Industry insiders see a no-holds-barred battle brewing for dominance in the highly under-stored Northeast market.

The number one and two chains, which are virtually running neck and neck for first place, are Sam's, owned by Wal-Mart, and The Price Club, founded by Sol Price and headquartered in San Diego.

According to *Discount Store News*' most recent survey, Price Club, with its 44 units, narrowly edged out Sam's with its 123 units for the rank of number one highest volume membership chain in 1989.

Price Club had a 21 percent sales increase to $4.901 billion, while Sam's sprouted 27 percent to $4.84 billion.

Third place Costco, sporting 62 stores, did $2.84 billion in sales last

Who's Who In Membership Warehouse Clubs
(Top 11 chains by dollar volume: millions)

Chain/co. hdqts.	1989 sales	% chng	1989 units	% chng
Price Club, San Diego	$4,901	20.9%	44	7.3%
Sam's Wholesale Club, Bentonville, Ark.	4,840	26.4	123	17.1
Costco, Kirkland, Wash.	2,944	48.0	62	24.0
Pace, Aurora, Colo.	1,710	34.5	47	20.5
B.J.'s, Natick, Mass.	985	20.5	23	4.5
Price Savers, Salt Lake City	685	24.3	14	7.7
The Wholesale Club, Indianapolis	570	41.7	23	27.0
Makro, Cincinnati	270	8.0	9	5.0
Warehouse Club, Skokie, Ill.	267	7.2	12	0.0
Club Wholesale, Boise, Idaho	70	7.7	5	0.0
Wholesale Depot, + Natick, Mass.	6	—	2	—

First store opened in October 1989, second opened in November 1989
Source: Discount Store News

Membership Warehouse Clubs
(Sales and unit growth)

Year	$ sales (billions)	Units
1984	$ 2.4	79
1985	4.5	137
1986	8.2	228
1987	10.1	271
1988	13.7	316
1989	17.8	364
1990*	22.0	434

**-Projected*
Source: Discount Store News

Wholesale Clubs: Average Sales/Store Estimates

Chain	Estimated average/ store 1989 sales (millions)
Price Club	$111
Price Savers	49
Costco	47
B.J.'s	43
Sam's	39
Pace	36
Makro	30
The Wholesale Club	25
Warehouse Club	22
Club Wholesale	14

Source: Discount Store News

year, up a whopping 48 percent over the prior year.

K mart's Pace is in fourth place, with 47 stores which tallied $1.71 billion in sales last year. K mart will be converting its nine Makros into Paces, which by mid-year should give Pace 56 clubs and loft it way past the $2 billion-a-year sales mark. Pace is projected to end the year with 66 stores, and possibly $2.8 billion in sales.

Costco is projected to end the year with 72 stores, which could possibly bring its sales close to $4 billion by year's end.

Sam's is shooting for 148 stores by year's end, and Price Club is aiming for 54.

Even if Sam's does ultimately overtake Price Club as indisputably the nation's highest-volume membership chain, it can't beat Price Club's record as the chain with the industry's highest average per store sales. The 44 stores Price Club had in operation by the end of 1989 generated an average $111 million dollars each.

Sam's 123 stores, on the other hand, generated an estimated $39 million apiece in calendar 1989, according to *Discount Store News* estimates. Costco's clubs averaged $47 million apiece, and Pace $36 million.

As *Discount Store News* pointed out, the rapid growth of the major chains, especially those six with the highest dollar sales volume, is rapidly shutting out opportunities for other companies to start up.

Last year there was only one start up in the industry—Natick, Mass.-based Wholesaler Depot—which opened two clubs in the last quarter of 1989. Wholesale Depot is projecting it will add four more units this year.

Sales should boom

Discount Store News is also projecting that the industry's sales will continue to boom this year, by at least 25 percent to over $22 billion. *DSN* also estimates that store counts should also jump 19 percent, as an estimated 70 more clubs open.

As the industry grows, *DSN* sees a no-holds-barred battle brewing for dominance in the highly under-stored Northeast market. The Northeast, which only housed about 27 stores at the beginning of 1990, should have triple that number by the end of 1991, *DSN* estimates.

At the same time, the wholesale club industry is continuing to refine its product mix and merchandising strategies. There is a continued trend towards diversification, as clubs add a variety of service departments such as optical care, fresh meat, expanded produce, and even scratch bakeries.

Currently, *DSN* reports, home delivery for bulky items and long distance phone service are also becoming more and more common in the club industry.

Cleaners in extra-large bulk packages sell exceptionally well in wholesale clubs. They're used in businesses, schools, and offices as well as in homes.

Groceries Draw Traffic For Warehouse Clubs

Grocery product sales, including frozen foods and perishables, rose nearly 30 percent on a same-store basis in 1989, many warehouse club operators told *FM*.

Some examples:

- At 65-unit Costco, based in Seattle, grocery sales rose more than 25 percent same-store, and turned more than 18 times, said Stan McMurray, senior vp-foods, sundries, and perishables.
- At 23-unit The Wholesale Club, based in Indianapolis, president Jim Burke said his grocery sales are exceeding 20 percent increases in same-unit sales "by a fair amount."
- At 56-unit Pace, based in Colorado, grocery sales growth exceeded the 17 percent same-store gains of the previous year, said vp-food merchandising Dan Doerflein.

Groceries appeal to the broadest customer base, and as frequently replenished items, bring shoppers back frequently.

At Costco, McMurray attributed much of the growth to Costco's constant efforts to fine tune category merchandising. Two and a half years ago, Costco began testing an expanded perishables department that included fresh meat, fresh fish, specially wrapped produce and scratch bakeries, and McMurray said the concept has proven very viable for the chain.

Costco's meat is all USDA choice or prime that comes to the store in primal cuts. Some stores have as many as 20 butchers work-

Men, who generate a big portion of wholesale club sales, aren't shopping for the family. They're usually buying for resale in their own businesses.

ing in the open, cutting and packaging the meat in front of customers. The scratch bakery is also open to view.

Costco hopes to have the departments in all stores by this time next year. Currently, perishables are in about 48 stores.

"Right now, we're getting 8 percent of our total sales from perishables in the stores that have the department. We think we can get it up to 10 percent pretty fast.

"It's not only helped us grow the grocery side of our business, but it's helped the rest of our warehouse as well. We're estimating that for every $1 our customers are spending on perishables, they're spending another $2 somewhere else in the store. Perishables also brings our customers back more often."

Bridge packing is an important sales aid for Costco, and McMurray spends a lot of time working with manufacturers to try and find that perfect "bridge" between a package that is large enough for resale customers but also small enough not to go to waste for at-home users.

Scott Paper with its toilet tissues and P&G with many of its consumer brands have been very cooperative in this area, but McMurray said just about every major company is in the process of developing special packages for warehouse stores.

Suppliers are complying

"Companies are more cooperative these days because they're at the point now of understanding what we're after."

Pet food is another important category for Costco. Because veterinarians and businessmen who need guard dogs are key customers, bridge items work perfectly in this category.

Costco likes to use a special 25-lb. pack for dry cat food as well as 50 lbs. on dry dog food, and it stocks both popular mass brands like Purina as well as special blends formulated for breeders who have special dietary requirements.

Packaging for spices

Bridge packaging is also found in spices. Costco's assortment ranges from a 1-lb. pepper jar all the way up to 5-lb. tins.

Costco also stocks a popular four pack bridge-box of bagged popcorn. When the box is open, the 12.5-lb. individual packages can be taken home for personal consumption or resold in small stores or in theatre concessions.

Because of its many food service customers, frozen foods are also a strong category for Costco.

McMurray said frozen foods currently generate about 8 percent of total sales, and added, "we haven't found the end to it yet." Refrigerated foods like milk, dairy products, and luncheon meats generate about another 7 percent of sales in an average Costco.

Costco currently carries about

200 skus in frozen foods and 150 in refrigerated foods, and it is averaging about 80 cooler doors per store, although some stores have as many as 100 doors.

The Wholesale Club also experimented with fresh produce in four clubs, but even though in Burke's words it did "OK with it," it is not rolling it out as a full program.

The chain has invested in coolers to merchandise fresh packaged produce like strawberries on a seasonal basis, but generally, as an everyday program, it is sticking to produce with the longest shelf life: apples, oranges, tangerines, potatoes, onions, fruit baskets, salad greens, etc.

The Wholesale Club also has a baked goods program, but it is not finishing off any baked products in the clubs. Instead, it is simply stocking breads and pastries that are partially baked. It sells these semi-baked products to small restaurants and nursing homes, etc., and these customers, in turn, finish off the baked goods for their own "end-use customers."

Not into fresh meats

The Wholesale Club is also not stocking fresh meats. In Burke's words, the chain isn't sure the investment in service and equipment can be justified.

Even though Burke is testing an expanded produce assortment and stocking semi-baked goods, he still feels that most of his growth in grocery sales will come from packaged and frozen items that are "wholesaler-oriented," meaning items that are bought for resale or for use in food service operations.

The Wholesale Club gives extensive space to frozen food, and one of its best-selling new items this year is a 40-count box of mini-bagels that sells for $6.45. Burke noted that they make a great snack as well as a great hors d'oeuvre.

This past Christmas, food gift baskets sold exceptionally well. Burke believes it's because his customers bought them as gifts for their own customers.

Mixed nuts and party-oriented product sales were also strong. Burke said caterers, a key customer base for The Wholesale Club, were buying everything from steam table equipment to peel-and-eat shrimp.

The Wholesale Club has also expanded its line of quality boxed chocolates for its resale customers. It brought the Fanny Farmer line in around October of 1989, and Burke said it is doing well. "It's a good product. It fits in with our policy of selling the best brands at the lowest possible prices."

Burke is also seeing good sales from a controlled label corn-based chip line made by Medallion Foods, a new snack food company based in Newport, Ark.

As one of Medallion's first customers, The Wholesale Club helped Medallion build its business, working with it on packaging and helping it get the distribution that would build its name.

Two things convinced Burke to go with Medallion. He felt it had a superior product in its corn chip, and the company was willing to work with him on packaging. Medallion was the first chip manufacturer to develop a four-bag pack that used seals on the inner bags, so they could be resold by Burke's customers.

Medallion was also able to deliver through Burke's warehouses, helping to minimize and virtually eliminate Burke's traditional problem with out-of-stocks on chips.

At Pace, Dan Doerflein also thinks it's important to expand his mix more fully into perishables.

Pace tested a fresh meat department and a fresh bakery department in three stores, and the chain is rolling these departments out now. Both sections should be in-

Wholesale clubs are trying to expand their customer base by adding service departments like fresh seafood, fresh meats, produce, and bakeries.

Grocery Sales Trends in Membership Warehouse/ Wholesale Club Stores* (retail sales, millions $)

Category	1987	1988	1989	1990
Packaged groceries (excludes snacks)	$4,203	$5,181	$6,201	$ 7,647
Packaged alcohol	490	603	687	826
Paper goods	444	564	684	868
Soaps/household cleaners	449	560	672	828
Pet foods	239	304	448	572
Total	5,825	7,212	8,692	10,741

*-Revised estimates based on 1987 Census of Retail Trade
Source: Malcolm Knapp, New York

stalled in most Pace stores by the end of the year.

"We see those categories as ways for us to better satisfy the needs of our food service customers," Doerflein said.

Doerflein expects these departments to be in about one-third of Pace's approximately 50 stores before the year is over.

"In the three units we tested it in, we found it worked," he said. "It helps us satisfy the needs of our customers. If we can supply them with fresh meat, fresh produce, and fresh baked goods as well as all their frozen and packaged good needs, we've helped them become more efficient. They're able to buy more things from one source, and that means they have less suppliers to worry about."

Like The Wholesale Club, Pace, which was recently acquired by K mart, is concentrating on the longer-shelf-life produce. Their baking will be done on premise, some from scratch and some from a mix.

Doerflein isn't worried that his sales of fresh products will cannabalize sales of frozen or packaged items. "I don't think you'll see a reduction in our sales of frozen chicken because we're selling fresh as well," he said.

A typical Pace unit has about 76 doors for frozen foods, up from 36 doors four years ago. Doerflein said sales of frozen products are growing faster than the grocery category as a whole, and frozen foods now account for more than 10 percent of all Pace sales.

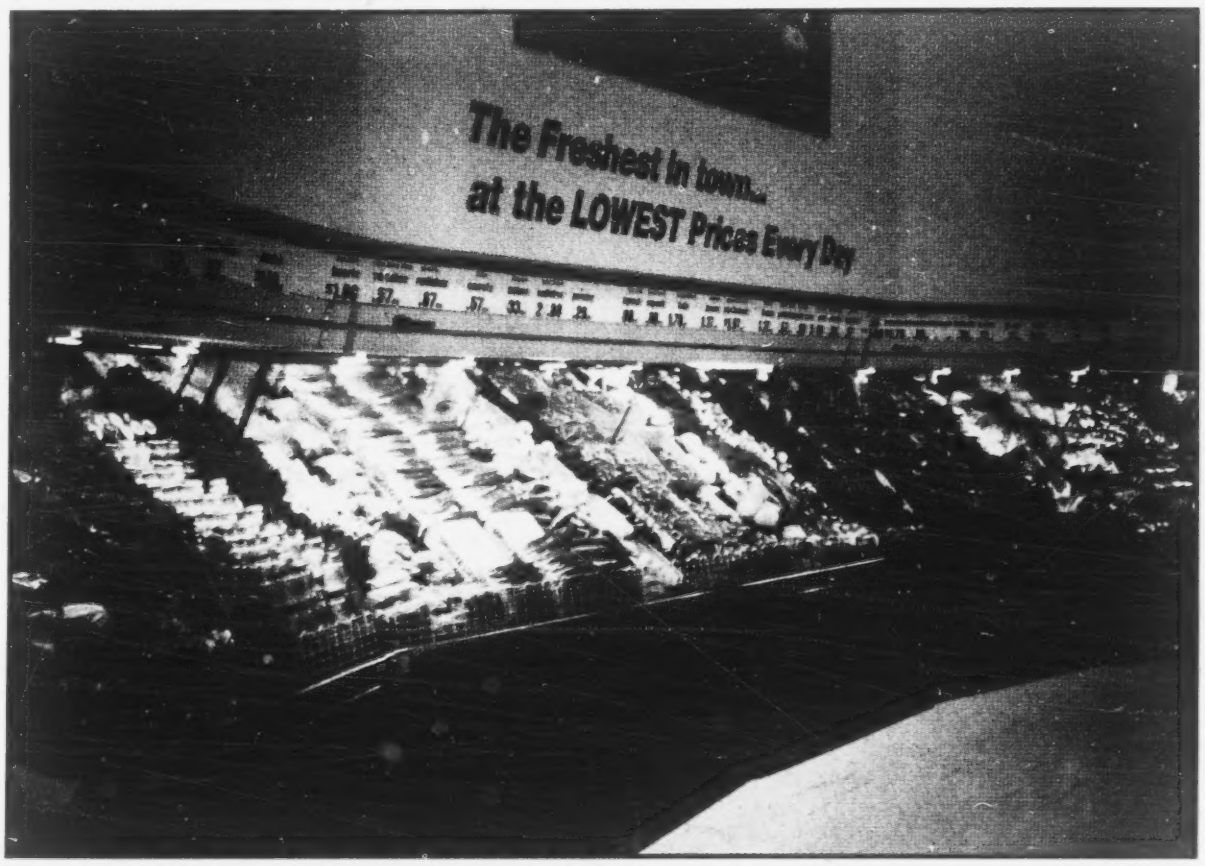
Doerflein said that after quality and price, packaging is the next most important contributor to sales growth, particularly packaging with colorful graphics.

"It helps sales when you get the nonprofit food service operator in there buying groceries," he said.

"People who buy for church groups, fire houses, and day care centers notice packaging much more than restaurant operators do, and the lack of good graphics does hurt sales."

Doerflein says that in recent years, many manufacturers have come to understand how much good packaging helps, because they've seen the plus business materialize, but he added that there's still much more that can be done.

Pace's grocery sales growth exceeded the 17% same-store gains of the previous year.



Food service customers make produce a viable category for wholesale club stores. Often the produce from a wholesale club turns up in the salad bars of local, independently-owned restaurants.

Food service customers are vital to clubs

Food service operators, small restaurants, caterers, and even church groups and day care center operators are very important customers for wholesale membership clubs.

"That's one of the main parts of our concept," said Stan McMurray, senior vice president, foods, sundries and perishables for Seattle-based Costco. "We primarily supply groceries for resale or reuse to small restaurants, caterers, churches, or anyone who is required to prepare food for away-from-home consumption."

McMurray estimated that about two-thirds of all Costco's sales are for resale in restaurants, churches, etc., and the rest is for personal use. "Groceries pull the customer in for us," he said. "They attract most of our members and they're something members buy for their own personal use as well as for their businesses."

Food service patrons

"Most of our customers are food service operators," said Dan Doerflein, vp of food merchandising for Los Angeles-based Pace membership clubs.

"In fact, we don't even carry the smaller retail packs and we don't even think of bridge packs as a major issue anymore. We think of the smaller pack user as a different customer than the one we're after. We backed off smaller sizes to make sure we're catering to the needs of our resale customers."

"Grocery items that are wholesaler-oriented tend to carry the business," said Jim Burke, the president of Indianapolis-based The Wholesale Club. "Most of our customers buy groceries to use in their businesses, restaurants, catering, etc."

How the Non-Food Trade Treats Groceries

Buyers say customers 'like finding groceries' in their stores, and chains like their high turns and traffic-building potential

To help readers understand how the non-food trade is strategically treating the highest-tonnage, highest-consumption grocery categories, FM *recently commissioned Nebraska-based Fairfield Research to do a national trade retailer merchandising/promotional grocery survey.*

Part one of this special report, which concentrated on the drug and discount chains generating the highest-volume sales, appeared in the spring FM.

The findings are based on a sample that included 20 major discount chains and 30 major drug chains throughout the country.

The drug chains surveyed accounted for approximately $11 billion in chain drug store sales, while the discount chains accounted for some $51 billion of total discount store sales.

The % of Non-Food Chains Advertising Groceries

Category	% of respondents advertising in 1989	
	Discount	Drug
Candy/gum	100	80%
Snacks/chips/cookies/cakes	85	57
Soft drinks	70	67
Other non-alcoholic beverages; juices, waters, etc.	65	43
Beer, wine, liquor*	5	37
Pet foods	60	40
Household cleaners	70	60
Paper products	65	73
Food wraps	65	53
Garbage bags	65	63
Packaged groceries; canned, boxed, etc.	30	37

*-Small respondent base

Source: Fairfield Research

While all drug and discount stores stock some type of edible groceries like candy or snacks, just a third of all responding chains said they regularly stock packaged groceries, meaning "core" grocery items like canned tuna, salad dressings, soups, or canned meats.

Among the respondents who did stock groceries everyday, 38 percent said it is because of their customers' requests. Sixteen percent said it's also because high-consumption grocery categories "sell well," and another 8 percent said it's because turnover is so high.

Another 8 percent said it is also because groceries can be "profitable" and because many of the items have a strong brand awareness, and hence can be identified by consumers as good values when they're displayed or advertised.

In fact, 50 percent of the respondents said the primary reason they advertised food and grocery products was to "build traffic."

Ten percent also said they used the category to attract new customers, while 8 percent said it was to generate impulse sales.

More than one-quarter of the respondents, 27 percent, said their stores don't carry groceries everyday, primarily because management doesn't see a "consumer demand" for them.

Basically, non-food grocery retailers use one set of criteria for deciding whether they will or won't carry a specific product on a day-to-day basis, and another set of criteria to decide if they will at least promote it as a featured special. The survey found that:

- 22 percent of the respondents said they might decide to promote or advertise a grocery item if there was consumer demand for it or if the manufacturer could show how well it sells in other trade classes or with competitors;
- 22 percent also said it depended on price, adding that if they could acquire a large quantity of a top-selling product at a super price, they could see the value of promoting it;

- 8 percent also said they wanted to be shown that it could generate traffic; and
- 6 percent said it depended a lot on what the manufacturer had to offer, or on how well prepared the supplier was to support that brand in that retailer's stores.

When buyers and merchandisers were asked to rank what was most important to them in helping them decide what to advertise, they gave a variety of answers.

Thirty-four percent said market share was "very important," while 30 percent said it was "somewhat important."

Thirty percent said regional or neighborhood demographics were "very important," while 26 percent said these considerations were "somewhat important."

More than half—52 percent—said the frequency in which the product is used or consumed was "very important," primarily because the faster it was used, the sooner shoppers would have to come back to buy more. Another 26 percent considered this factor "somewhat important."

Bonus packs were considered "very important" by 34 percent of the respondents, while another 34 percent said it was "somewhat important."

Ad support is vital

But the advertising support tnat a manufacturer puts behind a brand is definitely an incentive. Thirty-six percent of the respondents said this was "very important" to them, and 34 percent said it was "somewhat important."

Also very important is whether the product is in a "growth" category, as 50 percent said this was "very important" and 24 percent said it was "somewhat important."

Thirty-four percent said it was "very important" that co-op ad dollars were available, and another 36 percent called this factor "somewhat important."

Retailers also like to work with manufacturers who are willing to support retailer promotions, as 50 percent said this was "very important".

However, the most important factor in selecting an ad item is potential sell throughs, as 66 percent said high percentage sell throughs were "very important" to them and another 10 percent said they were somewhat important.

The Average Percent Discount Off Suggested Retails

Category	Discount	Drug
Candy/gum	20%	28%
Snacks/chips/cookies/cakes	19	26
Soft drinks	12	26
Other non-alcoholic beverages	8	26
Beer, wine, liquor	n.a.	17
Pet foods	23	18
Household cleaners	10	26
Paper products	3	25
Food wraps	19	27
Garbage bags	18	27
Packaged groceries	17	22

n.a.-Small respondent base *Source: Fairfield Research*

Average Percent Sell Through on Advertised Items

Category	Discount	Drug
Candy/gum	84%	74%
Snacks/chips/cookies/cakes	79	78
Soft drinks	64	92
Other non-alcoholic beverages	67	54
Beer, wine, liquor	n.a.	n.a.
Pet foods	61	63
Household cleaners	75	77
Paper products	n.a.	74
Food wraps	63	59
Garbage bags	63	55
Packaged groceries	82	77

n.a.-Small respondent base *Source: Fairfield Research*

Where Non-Food Chains Prefer To Advertise Groceries (% of respondents giving this answer)

Ad vehicle	Discount	Drug
ROP newspapers	75%	50%
Newspaper or magazine inserts	60	57
Direct mail	90	77
Local radio	45	73
Television	35	47
Store announcements	60	23
In-store circulars	65	60

Source: Fairfield Research

Retailers Rank Best-Selling Everyday Grocery Categories

Category	Discount % responding	Drug % responding
Candy/gum	40%	53%
Soft drinks	15	23
Household cleaners	10	3
Paper products	5	7
Beer/wine/liquor	n.a.	7
Snack foods	5	0
Packaged groceries	5	0

n.a.-Small respondent base *Source: Fairfield Research*

Why Chains Promote Groceries
(% of respondents giving this answer)

Reasons	Discount	Drug
To build traffic	40%	57%
To get impulse sales	15	3
To create a low price image	10	3
To pull traffic away from food stores, other competitors	5	7
To build frequencies of store visits	0	7
To attract new customers	20	3
To build margins	5	0
To provide customer service	0	3

Source: Fairfield Research

Why Grocery Items Are Carried Everyday

Factors	% citing this factor
Customer requests	38%
Good seller	16
Brand awareness	10
Turnover	8
Profit	8
Corporate decision	6
Generates traffic	2
Product availability	2
Tested well	2
Fits in store policy	2

Source: Fairfield Research

Second of a Two-Part FM Special Report

Non-Food Chains' Grocery Strategies

In part one of FM*'s special grocery report, which appeared in the spring 1990 edition, the following categories were examined: candy/gum; snacks/chips and cookies; soft drinks, juices, and other non-alcoholic beverages; household cleaners; paper products; and packaged groceries.*

In this issue we're highlighting the beer, wine, and liquor category, and pet care.

BEER/WINE/LIQUOR

Beer, wine, and liquor is a tough category for discount and drug store operators because it is complicated by the large number of suppliers most chains need to deal with to stock a reasonable inventory and by state laws and regulations affecting pricing and merchandising opportunities.

However, 34 percent of the drug chains surveyed reported that they did stock some liquor everyday. The base of respondents in the discount store sample was too small to be conclusive.

In the drug trade, 37 percent of the respondents said they advertised beer, wine, and/or alcohol in 1989. A third said they advertised this category as often as once a week, and 56 percent said they advertised it at least once every two or three weeks.

Among those who stock beer, wine, and other alcoholic beverages, 33 percent said they intend to advertise the category at the same rate in 1990 as they had in 1989. However, 42 percent of the chain drug respondents said they plan to advertise alcohol more often in 1990.

Buyers who plan to do more advertising said it was because this category was a "good draw" for their stores, and because they wanted their customers to know they carried it "as a convenience" to their shoppers.

Sell throughs aren't a key factor in this category, since most distributors take back whatever quantities aren't sold, or they put the stock back on the shelf for everyday merchandising.

Budweiser and Miller were picked by 25 percent of the respondents respectively as best sellers in this category.

PET CARE

Today 72 percent of all discount chains stock pet care items, including foods and accessories, and so do 38 percent of all drug stores.

Two-thirds of all discount stores advertise this category, as do 40 percent of all drug chains.

Half of all discount chains advertise pet care items at least once a month. Drug chains are less aggressive, advertising pet care, usually foods, more on a quarterly or semi-annually basis rather than every month or so.

Twenty-three percent of the discount respondents but just 6 percent of the drug respondents said they advertised pet foods more often in 1989 compared to 1988. In addition, 12 percent of drug chains and 8 percent of discount chains said they advertised it less in 1989.

Just 8 percent of discount respondents said they planned to keep advertising it more in 1990. The majority, 77 percent, said they planned to advertise it the same as last year.

Fifty-nine percent of all drug chains said they would also advertise it about the same, but the rest weren't sure if they'd do more advertising or less of pet items this year.

Discount chains usually take a 10 percent margin on their everyday pet food items, while drug chains average a 7 percent margin.

The sale price on advertised pet foods is usually 23 percent less the suggested retail when discount stores advertise this category, and an average 18 percent less when drug chains advertise it.

Buyers for both trade classes reported that their sell throughs on this category are reasonably good; discount chains averaged 61 percent sell throughs per ad, while drug chains averaged about 63 percent.

Purina does very well in this category, especially in drug stores, where its 9 Lives cat food is a particular favorite. Kal Kan's Whiskas also does well, as does Kal Kan dog food. Also singled out were Alpo, Sargents' accessories, and several private label brands including Wal-Mart's Ol Roy.

Diet Aids Carry Weight With H&BA Consumers

Diet aids, ethnic and professional hair care products, eye care and new products with an "environmental" positioning were among the categories that enlivened health & beauty aids sales last year and are expected to continue stimulating sales in an otherwise sluggish H&BA department this year.

The environmental push is expected to continue to change the face of the H&BA department as new suppliers such as Bio Pure and existing suppliers like Conair develop lines to exploit growing consumer demand for biodegradable and "natural" products.

Deodorants without aluminum chlorhydrate, toothpastes with more basic ingredients like baking soda and other health & beauty aids that have been popular in health food stores are making their way into discount stores as part of the consumer demand for products that claim to be safer and more basic in formula.

In the same vein, health is becoming the larger element of "health & beauty aids" as the cosmetics department's placement with fashion goods is clearly past the test stage with most retailers.

As part of the health focus, pharmacies and eye care facilities are becoming the natural adjunct to the H&BA department as the population ages. K mart and Wal-Mart continued their rollout of pharmacy departments and Wal-Mart brought the optical category from Sam's to Wal-Mart stores. Even small, regional chains are finding the pharmacy to be a tremendous traffic magnet and are leasing pharmacy space in stores where competition permits.

Incontinence products, eased into assortments gradually over the past couple of years is no longer being coupled with feminine hygiene products. Instead, this merchandise is frequently positioned near the pharmacy or in the vicinity of denture cleaners to reflect the evolution of the product area into its own subcategory.

Aggressive advertising by leading suppliers that speak directly to the consumer by using a representative within the user's peer group, has helped dissolve the stigma surrounding these products. Incontinence products, sonic denture cleaners like those by Denta Plus, and other products are just the start of an H&BA section devoted to the aged.

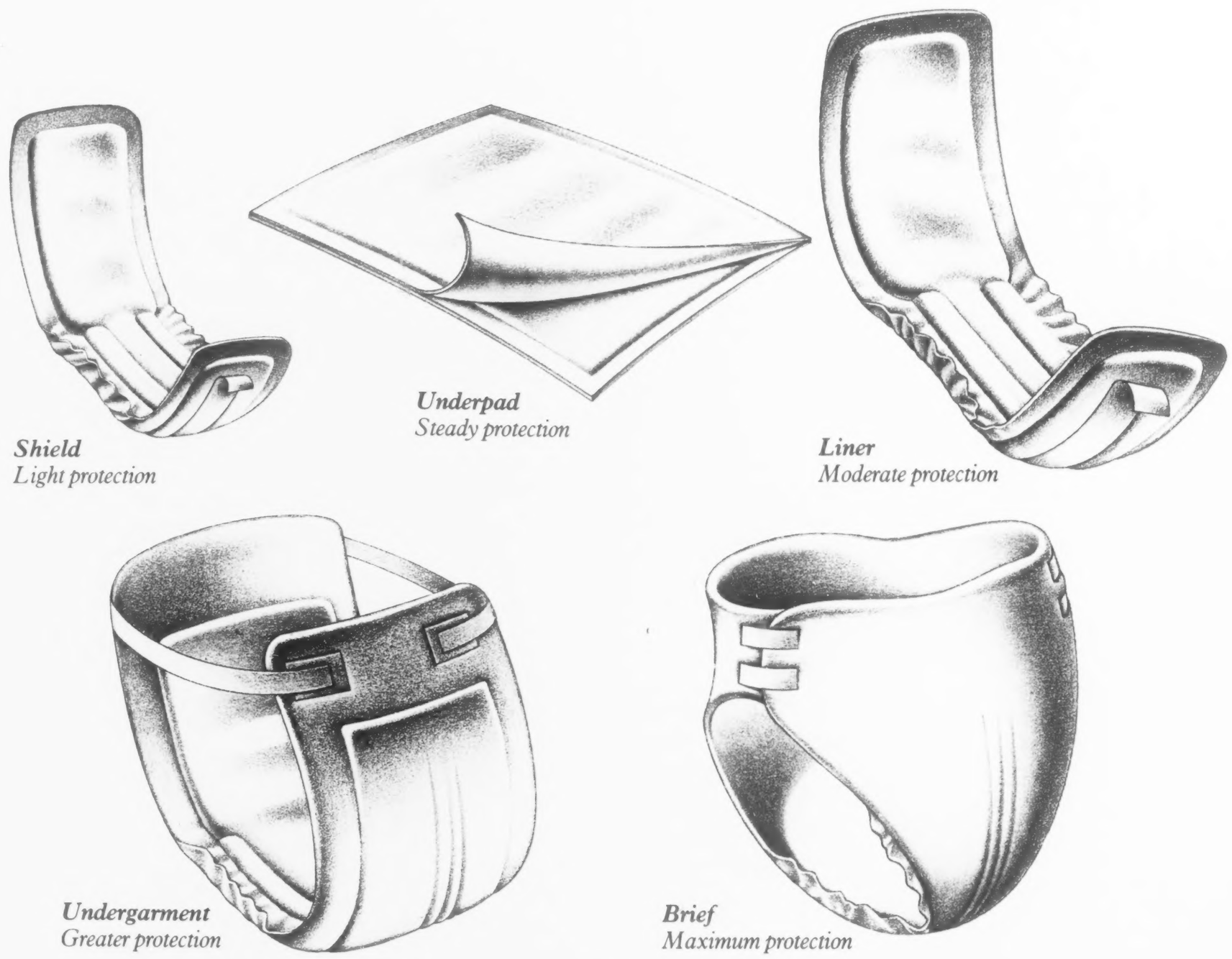
At the other end of the age spectrum, children's H&BA products grew in response to new licensing in the category by Johnson & Johnson and Ducair. The latter has developed a broad spectrum of children's products including bubble bath, bath toys and crayons, and other grooming aids.

(Continued on page 55)

Health & Beauty Aids $6.6 Billion

Full-Line Discounters	$6.6B
Catalogers	NA
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$6.6B
Sales Per Store	$840,764
Dept. Size	3,200 Sq. Ft.
Sales Per Sq. Ft.	$262.74
Turns	5.2
Initial Markup	25.5%
Gross Margin	19.5%

NA—not available
Source: DSN *research*

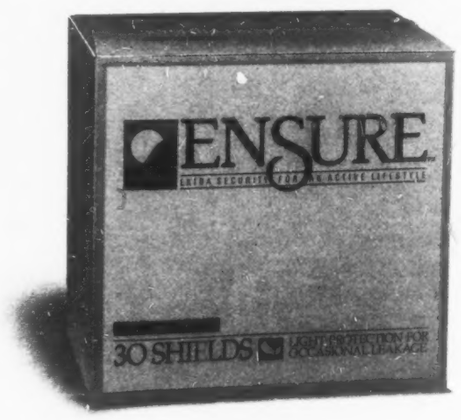


If your customers can't get these from you, they'll go somewhere else.

It's not a secret any more.
A surprising number of men and women—1 out of 15—are incontinent. They're through with makeshift solutions like feminine napkins. They're ready to buy the products they really want. Wherever they can find them.

Exclusive ***DRYCORE***™ *fibers absorb and seal in urine and odor. Slim and compact, they can absorb twenty times their weight.* DRY CORE™

A sales program that holds water.
The brands won't help you grab your share of this multi-billion-dollar potential market. *Pope & Talbot will.*



With incentives and promotional allowances. Co-op advertising, and physician sampling programs. POP materials and merchandising support. A control label. And lots of experience in private label. Call our sales representative at **1-800-848-9974.**

P&T
POPE & TALBOT

Toy Segment Sales Get Dolled Up for 1990

A product more commonly associated with most discounters' consumer electronics department was named the No. 1 toy in America last year by *Consumer Reports* magazine, which polled 12,000 families.

The popularity of Nintendo video games has continued this year and shows no signs of fading. Toy retailers can't seem to get enough Nintendo product—hardware and software programs—to fill their shelves.

Nintendo's success has spurred more toy vendors to step up their efforts to develop new toys that create the same level of excitement in other toy categories.

While Nintendo continues to cast a big shadow over the entire toy business, a number of toys are making an impression on the category.

In 1989, the baseball card trading craze reached a fever pitch and is still running high; miniaturization left many categories untouched and was still a strong force at the 1990 International Toy Fair. Hyper cars, play food and G.I. Joe also were important last year.

At Toy Fair 1990, dolls, particularly Barbi and the reintroduction of Cabbage Patch and Holly Hobbie, signaled a return to traditional playthings, dolls in particular. So plentiful were the new doll offerings that many have termed 1990 "The Year of the Doll."

This year, the word "doll" definitely took on a new meaning. In 1990, dolls wet and mess their pants, wear diapers, cry, change the color and length of their hair and even get born and later reveal their gender.

Miniaturization was still strong at the Toy Fair, as were fully-jointed action figures and board games. Basic toys, long pushed aside to make room for technology-driven playthings, made a comeback. Such familiar toys as yo-yos, Silly Putty, G.I. Joe and Mr. Potato Head continued their dominant roles.

The licensing fever infected many more categories at the 1990 Toy Fair, permitting both manufacturers and retailers to take advantage of this cyclical business. With licensing affecting nearly 60 percent of the toy business, the ever-popular Mickey Mouse and Sesame Street gang were almost everywhere. But they weren't alone. Teenage Mutant Ninja Turtles, Batman, Dick Tracy and The New Kids on the Block, among many others, also were on numerous products.

Holly Hobbie, the familiar blue girl in silhouette, is in the process of a comeback. Appearing back in her traditional garb as well as more contemporary versions, the Holly Hobbie art has been licensed to a laundry list of products. However, a recent *DSN* trip to Toys "R" Us, Child World, K mart and Caldor, in Paramus, N.J., failed to uncover even one Holly Hobbie product, not even the Holly Hobbie rag doll which Mattel introduced in March.

Serendipity played a role at the Toy Fair this year as themes from the democratization of Eastern Europe cropped up. While the market has still not seen a Gorbachev doll, the Toy Fair did witness the introduction of a Gorbachev board game and Berlin Wall puzzle. No doubt the 1991 Toy Fair will offer many more toys on the same theme.

One of the hottest toy segments this year appears to be pre-school. In fact, according to the Toy Manufacturers Association, pre-school toys grew by 10 percent in 1989 over 1988, making it the fastest growing segment of the nine categories the association monitors.

A by-product of increased births and a return to interest in basic toys, preschool toys totaled approximately $1.1 billion in 1989, equaling 9.7 percent of the toy category, according to NPD, a toy market index. NPD follows toy sales through its Toy Retail Sales Tracking Service that records sales of 10 sample retailers, including Child World, Target, Hills, Venture and Bradlees, accounting for 20 percent of sales, and extrapolates results for the entire industry.

Expanding Pre-School Business

Many retailers are expanding the size of their pre-school business, increasing shelf space by as much as 10 percent to 15 percent because of steadier sales and profits. In fact, preschool picked up space at the expense of trucks, kids' arts and crafts and creative activities, according to Kevin Curran, director of traditional toy marketing for Fisher-Price.

Retail sales of toys for all avenues of distribution—including discounters, full-price department stores, full-price specialty toy and hobby stores and category killers—was an estimated $13.4 billion in 1989, up from $12.75 billion in 1988, according to the Toy Manufacturers of America. This year, toy sales are projected to rise 4 percent to 6 percent to over $14 billion. Video games sales, led by Nintendo, totaled over $3 billion last year, the industry's largest category.

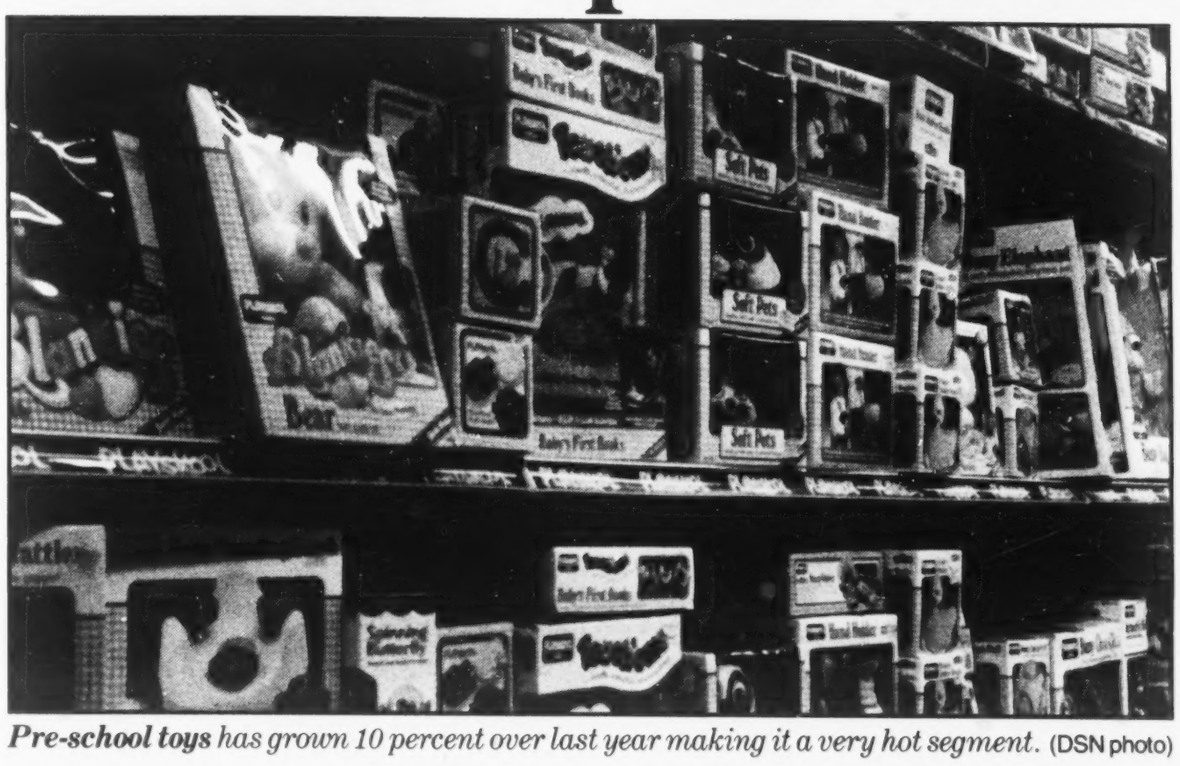
In 1989, toy sales declined in just two categories: plush toys, which fell 14.1 percent, and toy guns, off 12.5 percent. Sales of activity toys were level with 1988, according to TMA.

All other toy categories grew. Led by infant and pre-school toys, games and puzzles were a close second, up 9.8 percent; dolls, up 9.3 percent; vehicles, up 8.2 percent; action figures, up 5.7 percent; and ride-ons, up 4.4 percent.

Dolls, one of the top selling toys and fastest growing categories, generates most of its sales from discount mass market retailers, according to Robert Sansone of Mattel USA, a TMA board member. At the mass market, doll sales total about $1 billion, he said. Good news for toy retailers is that toy prices are expected to hold steady this year, rising about 2 percent to 3 percent at retail. One factor aiding this is the decline in plastic prices which is actually allowing some manufacturers to take price cuts.

Toys $10.9 Billion	
Full-Line Discounters	$4.7B
Catalogers	$0.7B
Specialty Discounters	$5.5B
Full-Line Discount Store Productivity	
Sales	$4.7B
Sales Per Store	$598,726
Dept. Size	2,500 Sq. Ft.
Sales Per Sq. Ft.	$239.49
Turns	3.0
Initial Markup	36.9%
Gross Margin	26.2%

Source: DSN *research*



***Pre-school toys** has grown 10 percent over last year making it a very hot segment.* (DSN photo)

Overall, 1989 was a tough year in the toy business for most specialty retailers and some manufacturers. Sales declines troubled many industry participants.

Fisher-Price, a leading toy manufacturer, was plagued by production and distribution lapses during the critical fourth quarter. Now F-P's parent company, Quaker Oats, is in the process of spinning off the beleaguered company.

Lionel Leisure had to thwart a hostile takeover at great expense to its bottom line. Hallmark acquired Dakin Inc., a plush toy manufacturer, earlier this year. Other highlight's of 1989 to 1990 include:

- Tons of Toys being merged into Karl's Toys;
- Child World's parent, CNC Holdings, is looking for a buyer for the 175-unit chain;
- Toy King, with 20 remaining stores, closed its doors for the last time shortly after 1989 began. Its units were acquired by Wisconsin Toys, now known as Value Merchants, for either Toy Liquidator or Toys Unlimited stores.

For Toys "R" Us, however, 1989 was a great year. Sales rose 18.3 percent to $4.313 billion and the company's aggressive expansion schedule portends more pressure for the nation's discount retailers and the world's toy merchants. TRU has set in motion a global expansion program that includes Japan and Europe.

Guarding against mishaps from defective toys, a major concern in the industry, has grown even as toy-related accidents remain fairly minor. Last year, the Consumer Product Safety Commission reported that toy-related accidents requiring hospitalization was 1.8 percent, compared with an average of 3.7 percent for all injuries involving other products.

Apparently, Wal-Mart wanted added protection against defective toys and related lawsuits and opened its own toy testing laboratory last November.

The No. 2 discounter wanted to bill manufacturers for the related costs, a move that TMA opposed. The issue was settled in favor of manufacturers when Wal-Mart agreed to accept a manufacturer's certification that a toy is safe. Wal-Mart also reportedly will not try to bill the manufacturer even if it continues to test toys.

Diet Aids Plump Up H&BA Sales

(Continued from page 53)

Diet products were the star of the health & beauty aids department last year and will continue to generate high volume due to larger space commitments to the category coupled with aggressive advertising, especially of Slim Fast by Thompson Medical.

John Martin, senior vp, merchandising at Boston Distributors, Maple Heights, Ohio, said his company experienced very high double-digit volume growth in diet aids. New product introductions by Thompson, including individual Slim Fast packets and premixed canned Slim Fast (to be introduced in October) will lead to even higher sales levels in 1991.

Boston Distributors makes shipments of health & beauty aids and other products to over 1,500 stores, predominantly on the East Coast.

Eye care products for contact lens wearers continued to be a high-volume product area at Boston Distributors, Martin noted. Aggressive marketing efforts by disposable contact lens manufacturers does not appear to have made any impact on sales of cleaners and other products geared toward the non-disposable lens wearer.

***As the number** of ethnic consumers continues to rise, so do H&BA sales.* (DSN photo)

The steady rise in the number of black and other ethnic consumers continued to be translated into greater sales of ethnic hair care products in markets affected by this demographic shift. Dollar store operators such as Family Dollar, Dollar General and Bill's Dollar Stores, which more often are located in markets with large black communities, reaped the benefits of spending on ethnic products.

Specialty Concepts Evolve, Waxes Shine Bright

The warehouse club concept has arrived on the automotives aftermarket scene, with two chains now operating in Southern California and a third in the works for New York's Long Island market.

And two chains, Wal-Mart and Sears, are checking out the burgeoning car care mall industry for growth opportunity.

As for product categories, waxes and polishes reflect the brightest picture, posting a 9 percent gain last year to $190 million at retail. That followed a 6 percent increase in 1988. Others categories show sluggish to flat sales, or in the case of spark plugs, a continued decline.

Moreover, if further proof is needed that most full-line discounters dislike the problems involved with car maintenance, two regional holdouts have gotten out of the car care business over the past year.

Meanwhile, the drive of the two largest automotives specialty chains, Western Auto and Pep Boys—Mannie, Moe & Jack, to build larger stores that feature a heavy component of auto service continues apace.

Those are the major merchandising developments over the past year in a specialty category that has seen consolidation come to a screeching halt.

In San Diego, Calif., Auto Parts Club paved the way by opening the first automotives warehouse club.

Auto Giant, a new startup of warehouse club entrepreneur Robert J. McNulty, followed with the second warehouse club unit in San Bernardino, Calif. And McNulty has filed an initial public offering for funds to launch a similar club, Auto Depot, to operate on Long Island.

Although open to DIY customers, Auto Parts Club gears its offerings in warehouse units of 40,000 square feet to the professional installer. For example, it has added brand new engines, not rebuilts, to its product mix in the two units now running.

In contrast, Auto Giant is aiming at the retail consumer, both the DIY customer and the Do-It-For-Me customer. Its first 50,000-square-foot unit, to be joined soon by a second, offers 20 service bays for a wide range of car service.

McNulty's Auto Depot, which could make its IPO by the end of July, will operate on a similar concept. Auto Depot hopes to raise $7.8 million to open two units.

Representatives of both Wal-Mart and Sears attended a car care mall conference which was held in Newport Beach, Calif., in April.

Around 1,000 car care malls have sprung up around the country, offering a variety of auto specialty shops, such as tires, quick lube, body repair, car stereo and glass replacement.

Wal-Mart is looking for developers to build car care malls next to its discount stores, most of which offer no auto service that would compete.

Only about a quarter of the 1,402 Wal-Mart stores offer auto service, and Wal-Mart continues to take a store-by-store approach toward including service in new stores.

That contrasts with K mart's four-year-old policy of skipping auto service in all new stores. Moreover, K mart is closing existing auto service centers in markets where they fail to provide an adequate return on investment. Only about half, or 1,100 of the 2,200 K mart stores offer auto service, compared with a high of around 1,600 several years ago.

Truck accessories, Venture, Chicago: *Two trends bode well for discounters: vehicle registrations are rising and motorists are putting more miles on their cars.* (DSN photo)

While Wal-Mart takes a store-by-store approach toward including automotive service in new stores, K mart has not included auto service in a new store in four years, and is closing existing auto service centers in markets where they fail to provide an adequate return on investment.

Sears still is testing a small, freestanding auto center that could handily slip into a car care mall or strip mall that wouldn't support a full-fledged Sears service center.

Called Sears RoadHandler car care centers, the four test stores in Chicago feature four service bays and a tiny showroom floor that displays mostly tires.

Sears is making automotives one of its power formats and probably will start to introduce it after completing its Brand Central program, adding national appliance brands to its Kenmore private label offerings, and the Craftsman Home and Yard Center, adding national brands to its Craftsman offerings in hardware and lawn and garden.

Besides the freestanding RoadHandler centers, Sears continues to test two concepts that could provide the model for a remake of its full-size auto centers associated with Sears stores.

One is Tire America by Sears, a four-store test, which strips the auto centers of all merchandise except tires, shocks and batteries. Operated by its Tire America subsidiary, acquired along with Western Auto in 1988, the centers eliminate general automotive service, such as tune-ups and oil and lube, to concentrate on service related to tires, such as front-end alignment and shocks, and electrical service, such as alternator, starter and battery replacements.

The hardware departments of each Richmond, Va., Sears store have taken on a limited assortment of auto chemicals, waxes and oils.

Tire America by Sears offers especially sharp tire prices.

Sears itself is testing another concept in two Milwaukee stores, also eliminating general service but offering a wider mix of parts and accessories.

Sears merchandises both test concepts around a variety of national tire brands, in addition to its private label Roadhandler line.

The two giants of the specialty segment continue to emphasize larger stores that offer auto service.

Sears' Western Auto chain is building 15,000-square-foot stores, compared with its chainwide average of 9,000 square feet. Moreover, it continues to close the small mom and pop associate stores that carry the Western Auto name.

Pep Boys is closing its remaining 5,000-square-foot "dry" stores, without service, and replacing them with 22,000-square-foot prototypes that include 10 service bays.

The Warehouse Club, a Chicago-based warehouse chain of 12 stores, is edging into the service business, starting with quick lube and oil service. With seven units already converted, the chain will complete the rollout year-end. At $10.99 for lube, oil change and filter, the service has increased tire sales by 20 percent at each unit.

Wal-Mart's hypermarkets in Texas also offer quick lube service.

Service also will be a major merchandising element for Canadian Tire Corp, which is re-entering the United States market with a four-store test in Indianapolis.

Stores for the as-yet unnamed chain probably will run to at least 15,000 square feet, including 5,000 square feet of storage, another 5,000 square feet of retail floor space and five to 10 service bays, including quick lube bays leased to a franchised operator.

What remains undetermined is whether its U.S. stores will be merchandised around the same home and auto concept that built Canadian Tire into the largest auto chain in Canada, with 1989 sales of $2.5 billion (Canadian) from 400 stores.

Auto service among full-line discounters suffered two more regional casualties over the past year.

Financial problems prompted S.E. Nichols, New York, to close about 28 auto service centers in its 34 stores this spring and to start converting the chain to a deep discount drug format.

Financial problems also spelled the end of auto service in the 11 TSS stores in metro New York when the chain liquidated.

The environmental movement has caught on in automotives. Chief Auto, Dallas, and Pep Boys are recycling used motor oil.

And Chief and K mart both are recycling junk car batteries. K mart stands ready to pay $2 apiece for 40 million junk batteries that now clutter garage and basement alike.

Sluggish new car sales translate into good news for the aftermarket, since motorists are keeping their cars longer. About one-third of cars on the road are at least 10 years old and prime candidates for aftermarket purchases.

Cars of such vintage also tend to be easier for backyard mechanics to work on and many still have carburetors that can be rebuilt and points and condensers to replace. What will happen to the DIY aftermarket when all cars are as hard to work on as a 1990 model is easy to predict, a shift toward less demanding projects such as oil and filter changes and waxing and washing.

As an offset, Americans are driving their cars more miles per year, and total vehicle registrations continue to increase, albeit at a slower pace.

Oil sold at retail increased to about 700 million gallons last year from about 650 million in 1988. But that included oil that quick lube centers use.

The oil filter market in 1989 came to about 310 million, a 1 percent increase from 1988. After half that growth came from the DIY customer, or a scant 520,000 units. And DIY oil sales gains are closely related to oil filter growth.

Anti-freeze prices continue to recede from the $9 to $10 level that a world shortage of ethylene glycol prompted.

The resurgence in popularity of powerful eight and six cylinder engines spells good news for the aftermarket. Powering fast, sporty cars, the bigger engines, with more "holes," at least will slow the gradual decline in sparkplug sales. DIY sparkplug sales now account for as much as 45 percent of sales, but that share is expected trail off to the high 30's by the end of the decade.

Automotive $10.6 Billion	
Full-Line Discounters	$5.7B
Catalogers	$0.1B
Specialty Discounters	$4.8
Full-Line Discount Store Productivity	
Sales	$5.7B
Sales Per Store	$726,115
Dept. Size	2,300 Sq. Ft.
Sales Per Sq. Ft.	$315.70
Turns	3.2
Initial Markup	33.8%
Gross Margin	24.8%

Source: DSN *research*

Golf, Fitness Tempt Full-Liners, Category Killers

Superstores of at least 40,000 square feet promise to become more of a fixture in sporting goods merchandising now that K mart and an Arab World investment company are throwing their weight behind the category killer concept.

K mart stands ready to open as many as 15 units a year of Sports Authority, the Fort Lauderdale, Fla., eight-unit superstore chain acquired this spring. The nation's largest discounter scrapped its own superstore test, the Sports Giant warehouse club, and is converting the two stores to the Sports Authority format.

The chain thus bought the sporting goods expertise of Sports Authority founder, Jack Smith, former chief operating officer of Herman's, and eliminated its Sports Giant executive staff.

Sports Unlimited, Tampa, Fla., vows that the sporting goods industry will hear from it now that Investcorp acquired the 11-store chain. Indicating its stature in international finance, Investcorp, with offices in Bahrain, London and New York paid $1.5 billion this spring to buy Saks Fifth Avenue.

Sports Authority, Sports Unlimited, Sports Town, Atlanta, Sportmart, Chicago, and Academy, Houston, all have settled on 40,000-square-foot stores as the minimum size needed today to carry a full line of sports apparel, footwear and equipment.

Oshman's, Houston, bears the distinction of operating what is probably the nation's largest sporting goods store, an 85,000-square-foot category killer it opened in Houston this spring under the name Oshman's SuperSports USA. It reacted to the competitive pressures of five Academy and four Sports Town units of 40,000 square feet in its hometown. Gart Bros., Denver, operates Sports Palace units of 75,000 square feet.

Superstores mean deep pockets, though, requiring an estimated $4 million for inventory and break-even sales of $7.5 million.

To bolster its superstore revenues, Oshman's abandoned everyday low prices and special merchandising in January for its four SuperSports USA units and converted them to traditional promotional pricing and Oshman's inventory. And it opened a new St. Louis store as an Oshman's, rather than a SuperSports.

The results: Oshman's reported that first quarter sales rose 16.1 percent to $70.1 million from $60.4 million in the year earlier period. And it trimmed operating losses for the quarter to $1.4 million from $2.5 million.

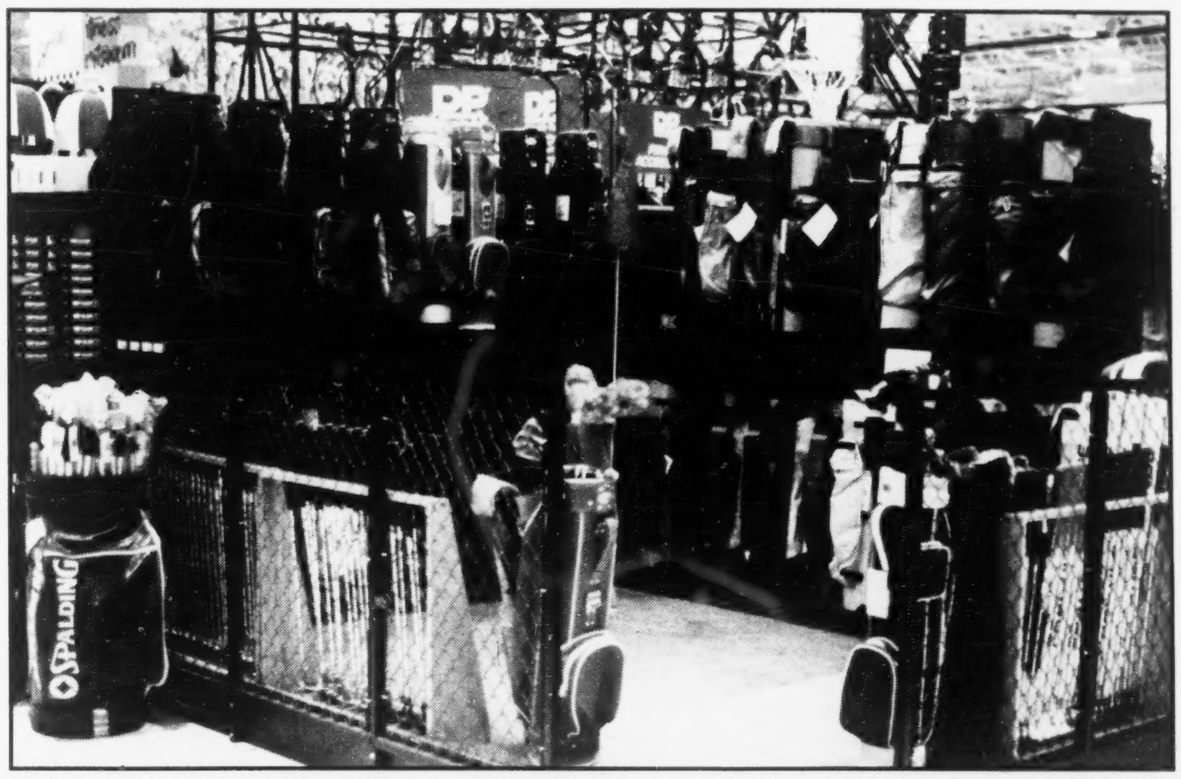
Golf, easier on the knees and elbows than jogging and tennis, is the hot sports category for 1990, as the growth of discount golf chains shows.

And the expansion, largely through franchising, of discount golf shops puts additional pressure on the sporting goods departments of discounters on top of what they are experiencing from category killer superstores.

Expansion plans in 1990 of golf discount specialty shops include: Pro Golf Discount, 25 more stores on top of 125; Las Vegas Discount Golf & Tennis, 25 more stores on a base of 55; The Pro Image, 35 new stores on top of 150; and Nevada Bob's Discount Golf & Tennis, 30 more units on a store count of 245.

Such stores promise golf pro shop quality merchandise at a discount.

In keeping with its plans to become



Golf merchandise at Fred Meyer, Chico, Calif.: *Several discounters have expanded their offerings in golf in order to blunt the impact of discount golf shops.* (DSN photos)

The expansion of such discount golf shop chains as Nevada Bob's, The Pro Image and Pro Golf Discount puts additional pressure on the sporting goods departments of discounters on top of what they are experiencing from category killer stores.

No. 1 in golf sales, K mart sponsors the Greater Greensboro Open, which in 1990 is the fourth richest tourney on the PGA circuit. GGO purses this spring totaled $1.25 million.

In another move, K mart introduced this year a new private label golf line, Golden Laddie/Golden Lassie, developed by golf instructor Phil Ritson. Last year, 23.2 million Americans played golf, the National Sporting Goods Association determined though its annual survey.

Golf, ranking No. 15 on the participation survey, still has a long way to go to catch up with No. 1, swimming, with 70.5 million participants. Exercise walking was a close second, with 66.6 million, a dramatic increase from 41.5 million in 1985.

Since about one-third of swimmers are age 17 or younger, exercise walking clearly is the most popular activity among adults, the survey concluded.

Other top five activities were: bicycle riding, 56.9 million participants; fishing, 46.5 million; and camping, also 46.5 million.

Although equipment exercising ranked No. 7, with 31.5 million participants, exercise continues to be the fastest-growing equipment category.

Sales of equipment to exercise buffs jumped 19 percent last year, following an 18 percent spurt in 1988, the NSGA reported.

Retail sales of exercise equipment totaled $1.73 billion in 1989, compared with $1.45 billion the previous year.

Moreover, unit prices are increasing. The price of an average stationary exercise bike rose 31 percent to $193 in 1989 from $145 in 1988. Sales volume totaled $591.8 million for 3 million units.

Dollar volume in treadmills rose 42 percent, while unit volume increased only 36 percent, said Tom Doyle, director of research for NSGA.

In cross-country skiers, dollar volume rose 8 percent, while unit volume declined 16 percent, he said.

"Consumers are buying better-quality equipment and keeping it longer," Doyle said.

Other equipment categories, such as tennis, reflect the same price trend, he said. Dollar volume of tennis rackets rose 23 percent in 1989 to $187.3 million, while unit volume rose 16 percent to 2.6 million.

The air category, such as air bikes and air steppers, remains an important phenomenon, Doyle said. But he was unable to predict how long the trend will continue.

Despite the gain in category killer stores, smaller chains continue to carve out niches, he said. "They have a lot of flexibility and are more responsive" to changing consumer tastes, he said.

Champs, a Woolworth specialty chain of 5,000-square-foot mall stores, handles only stylish, trendy apparel, footwear and equipment that it can get into and out of quickly.

As another example, Erehwon, a Chicago-based chain of seven stores, specializes in high-end, high-tech outdoor equipment, such as kayaks and rock climbing equipment, Doyle said.

"Specialty shops survive because they offer expertise that's not available at large chains," he said.

Diversification into related fields, such as travel and health and fitness clubs, represents an emerging merchandising trend, Doyle said.

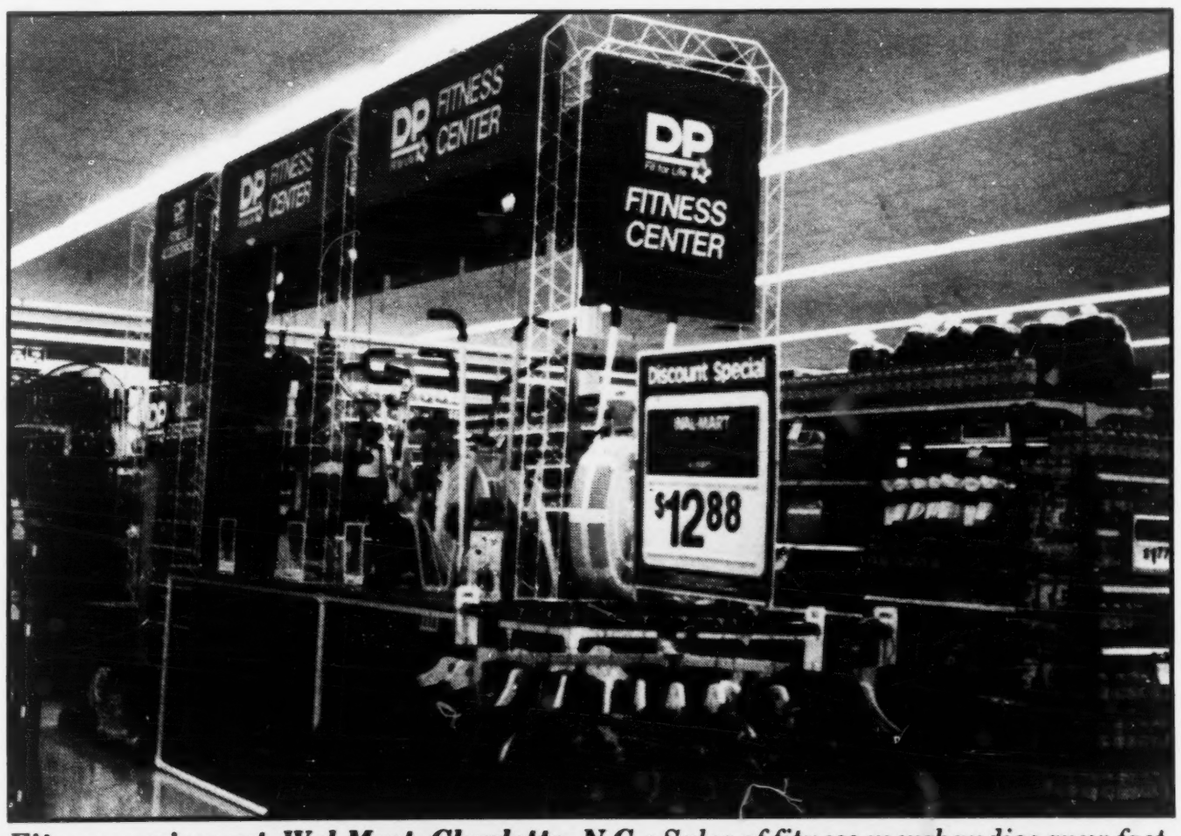
Sports Town offers travel agency service at all 11 units, and Gart Bros., a Thrifty unit, has succeeded in the travel business for some time, Doyle said.

In Japan, sporting goods stores are operating health and fitness clubs in conjunction with their stores, he said, and a couple of California entrepreneurs are attempting to develop that concept for the American market.

Among customers at discount stores, national brands gained ground over the past year. In the 1989 Top Brands survey of shoppers, 71 percent preferred national brands, an increase of 12 percentage points from 1988.

The top three brands they preferred the most are: Wilson, 15.6 percent; Spalding, 12.3 percent; and Coleman, 9.6 percent.

No. 4 is Nike, at 6.3 percent, although discounters can't get them, and Zebco ranked 5th at 5 percent.



Fitness equipment, Wal-Mart, Charlotte, N.C.: *Sales of fitness merchandise grew faster than any other sporting goods category last year, jumping 19 percent.*

Sporting Goods $6.6 Billion	
Full-Line Discounters	$4.1B
Catalogers	$0.6B
Specialty Discounters	$1.9B
Full-Line Discount Store Productivity	
Sales	$4.1B
Sales Per Store	$522,293
Dept. Size	2,500 Sq. Ft.
Sales Per Sq. Ft.	$208.92
Turns	2.1
Initial Markup	37.0%
Gross Margin	27.8%

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

American Fare, Atlanta: *The store reported sales of $80 million in 1989.* (DSN photos)

Getting a Facelift in 1990

Chain	Total Store Count	No. of Stores To Be Remodeled
K mart	2,194	344
Wal-Mart	1,402	175
Bargain Town	62	62
Dress Barn	436	50
Herman's	266	50
Wall to Wall Sound & Video	102	43
ALCO	100	30
Sky City	57	27
Silo	230	20
Bi-Mart	41	14
Caldor	118	10
Smitty's	24	9

Source: Discount Store News

Geographic Penetration

Chain	1/90 Stores	No. of States With Stores
KayBee	777	49
K mart	2,194	48
Western Auto	468	48
T.J. Maxx	352	43
Toys 'R' Us	404	41
Montgomery Ward	333	39
Herman's	266	38
Marshalls	347	38
Burlington Coat Factory	146	37
Service Merchandise	334	36
Hit or Miss	546	34
Circus World	326	32
Child World	174	31
Dress Barn	436	31
Target	401	31
Champs Sports	199	30
Toy Liquidators	76	30

Source: Discount Store News

K mart, Oak Park, Mich.: *The full-line discounter had 2,194 stores in 48 states as of January 1990.*

POS Leaders

Chain	1/90 Store Count	No. of Stores With Scanning
K mart	2,194	1,739
Wal-Mart	1,402	1,402
Northern Automotives	828	556
Chief Auto	503	503
Toys 'R' Us	404	404
Target	401	401
Trak Auto	308	315
Service Merchandise	334	300
Whitlock	280	280
Nationwise	270	275
Champs Sports	199	202
Bargain Time	190	190
Kids 'R' Us	137	137
Sam's Wholesale Club	123	123
Lionel Leisure	92	92
Fred Meyer	125	75
S&K Famous Brands	90	72

Source: Discount Store News

Store Productivity Leaders

Chain	1989 Sales (In Millions)	Sales Per Store (In Millions)
Hypermart USA	$ 367	$122.3
Tops Appliances	345	115.0
Price Club	4,901	104.0
American Fare	80	80.0
Carrefour	65	65.0
Fedco	720	60.0
Twin Valu	60	60.0
Bigg's	200	50.0
Meijer	2,800	50.0
Price Savers	685	48.9
Ann & Hope	292	48.7
Costco	2,943	47.5
Wal-Mart SuperCenter	140	46.7
BJ's Wholesale Club	985	42.8
J&R Music World	85	42.4
Alexander's	463	42.1
Sam's Wholesale Club	4,841	39.4

Source: Discount Store News

Selling Space Productivity Leaders

Chain	1989 Sales (In Millions)	Sales Per Sq. Ft. (In Millions)
Price Club	$ 4,901	$1,160.00
Staples	182	750.00
Highland Superstores	924	735.00
Odd Job Trading	69	650.00
The Wholesale Club	570	553.00
Filene's Basement	358	550.00
Price Savers	685	515.00
Costco	2,943	483.00
WORKplace	41	470.00
Sam's Wholesale Club	4,841	462.00
BJ's Wholesale Club	985	448.00
Fretter	225	411.00
NBO Stores	101	400.00
Loehmann's	387	381.00
Sports Unlimited	59	350.00
Everything's a Dollar	40	300.00
HQ Office Supplies	39	286.00

Source: Discount Store News

Soft Lines Sales Leaders

Chain	Soft Lines Sales (In Millions)
K mart	$8,474
Wal-Mart	5,872
Ames	2,742
Target	2,481
Marshalls	1,706
Montgomery Ward	1,659
T.J. Maxx	1,377
Hills	1,100
Bradlees	935
Burlington Coat Factory	779
Fred Meyer	754
Ross Stores	741
Venture	603
Caldor	512
Kids 'R' Us	475
ShopKo	467
Hit or Miss	400

Source: Discount Store News

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Discount Stores by Region and State

Region/State	Discount Dept. Stores*	Catalogers	Clubs	Total	Leading Chains By Region, State			
New England	483	53	11	547	Ames	147	Bradlees	57
Connecticut	108	12	2	122	Caldor	30	Bradlees	26
Massachusetts	213	25	6	244	Ames	52	Bradlees	37
Maine	51	6	1	58	Ames	29	Kmart	8
New Hampshire	65	6	1	72	Ames	24	Kmart	10
Rhode Island	26	3	1	30	Ames	10	Caldor	3
Vermont	20	1	0	21	Ames	13	Kmart	3
South Atlantic	1,513	274	71	1,858	Kmart	455	Wal-Mart	269
Delaware	27	4	2	3	Ames	10	Rose's/Jamesway	5
Florida	366	99	28	493	Kmart	154	Wal-Mart	99
Georgia	223	21	12	256	Kmart	82	Wal-Mart	70
Maryland	129	32	8	169	Ames	44	Kmart	32
North Carolina	314	47	9	370	Rose's	116	Kmart	77
South Carolina	139	20	4	163	Wal-Mart	44	Kmart	42
Virginia	209	41	6	256	Rose's	53	Kmart	51
Washington, D.C.	1	3	0	4	Ames	1	—	0
West Virginia	105	7	2	114	Heck's	33	Ames	18
East North Central	1,544	147	56	1,747	Kmart	495	Wal-Mart	127
Illinois	340	41	11	392	Kmart	108	Wal-Mart	66
Indiana	247	24	9	280	Kmart	80	Wal-Mart	32
Michigan	329	36	13	378	Kmart	123	Meijer	47
Ohio	456	44	19	519	Kmart	127	Hills	68
Wisconsin	172	2	4	178	Kmart	57	Shopko	33
East South Central	613	68	18	699	Wal-Mart	267	Kmart	175
Alabama	172	16	5	193	Wal-Mart	72	Bargain Town	43
Kentucky	166	8	5	179	Wal-Mart	63	Kmart	50
Mississippi	89	11	2	102	Wal-Mart	54	Kmart	19
Tennessee	186	33	6	225	Wal-Mart	78	Kmart	64
Mid-Atlantic	902	214	22	1,138	Kmart	215	Ames	173
New Jersey	159	41	5	205	Kmart	45	Bradlees/Jamesway	31
New York	352	109	8	469	Ames	96	Kmart	61
Pennsylvania	391	64	9	464	Kmart	109	Ames	68
West South Central	946	96	55	1,097	Wal-Mart	469	Kmart	227
Arkansas	123	6	3	132	Wal-Mart	78	Kmart	18
Louisiana	138	20	10	168	Wal-Mart	80	Kmart	39
Oklahoma	130	8	7	145	Wal-Mart	81	Kmart	18
Texas	555	62	35	652	Wal-Mart	230	Kmart	152
West North Central	755	43	20	818	Kmart	189	Wal-Mart	187
Iowa	136	4	2	142	Pamida	39	Kmart	35
Kansas	118	7	3	128	Wal-Mart	41	Kmart	27
Minnesota	144	7	6	157	Kmart	42	Pamida	39
Missouri	203	17	8	228	Wal-Mart	108	Kmart	44
Nebraska	83	2	1	86	Kmart	18	Pamida/Alco	15
North Dakota	31	3	0	34	Kmart	12	Pamida	6
South Dakota	40	3	0	43	Kmart/Shopko	11	Alco	7
Mountain	436	49	27	512	Kmart	150	Wal-Mart	41
Arizona	111	11	9	131	Kmart	32	Smitty's	21
Colorado	107	16	6	129	Kmart	34	Wal-Mart	20
Idaho	34	2	3	39	Kmart	11	Shopko	7
Montana	28	3	1	32	Kmart	13	Pamida/Gibson	3
Nevada	21	3	3	27	Kmart	10	Target	5
New Mexico	54	9	1	64	Kmart	21	Wal-Mart	16
Utah	48	4	4	56	Kmart	19	Fred Meyer	17
Wyoming	33	1	0	34	Pamida	14	Kmart	10
Pacific	567	72	94	733	Kmart	224	Fred Meyer	75
Alaska	4	2	2	8	Fred Meyer	4	Costco/Price Savers	1
California	313	53	73	439	Kmart	170	Target	99
Hawaii	9	0	1	10	Gem of Hawaii	5	Holiday Mart	3
Oregon	141	5	7	153	Fred Meyer	42	Bi-Mart	36
Washington	100	12	11	123	Kmart	33	Fred Meyer	29
Puerto Rico	10	0	0	10	Kmart	10	—	0
Total:	**7,769**	**1,016**	**374**	**9,159**				

**Chart excludes dollar discount chains, closeouters and hypermarkets.*
Total numbers may vary slightly depending up frequent openings and closing during the year.

(See story, page 68)

Source: Discount Store News/Chain Store Guide

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Texas, New York and Calif. '89 Store Leaders

As the second-largest discount chain in the United States and the most profitable, Wal-Mart could expand the parameters of the chain to almost anywhere. The possibilities could include three regions of the country, 32 states plus Washington, D.C., and maybe even Puerto Rico, locations where its representation is weak or nonexistent.

Currently, Wal-Mart doesn't even operate discount department stores in 25 states and operates 10 or fewer stores in three states, according to an analysis of discount department store penetration in the 50 states, the District of Columbia and Puerto Rico. (See chart, page 66).

Although Wal-Mart has announced its intentions to open in the Northeast, specifically the mid-Atlantic states—a new area for the chain—expansion opportunities also appear obvious in Arizona, Minnesota, Ohio, Virginia and Maryland.

Potential store openings or possibilities now exist in a variety of markets for many operators. Areas such as Washington, D.C., Alaska and Hawaii feature either vacant stores, underserved markets or minimal competition.

Expansion possibilities are being seized by many operators. For example, the demise of Heck's, with 55 units, mostly in West Virginia, enabled L.A. Joe, a new retailer owned by Jordache, to move quickly into those stores. Similarly, K mart, Caldor and The Home Depot bought some of TSS' leases on Long Island, offering entry into a much sought-after market.

Last year, the United States had a total of 9,159 discount department stores, catalog showrooms and warehouse clubs: 7,769 discount stores, 1,016 catalogers and 374 warehouse clubs.

By far the store count leader is K mart, followed by Wal-Mart. Obviously their sheer number of stores dominate many markets. However, that is not the case in New England where Ames and Bradlees dominate. In this region, Ames operates the most number of stores, 147, followed by Bradlees, 57.

Based on store counts, Ames is the dominant discount store chain in the mid-Atlantic, behind K mart. Fred Meyer, with 75 units, is in the second spot in the Pacific region behind K mart, which operates 224 stores.

Of the nine regions of the country, the South Atlantic has the most stores—1,858. The East North Central region is second with 1,747 followed by the mid-Atlantic region, with 1,138 stores.

However, when store count is divided by the number of states in the region, the three-state mid-Atlantic becomes the store count leader with 379 stores per state followed by 349 stores for the five-state East North Central region, and 206 stores per state in the South Atlantic region.

Texas has the most stores—652: 555 discount stores, 62 catalog showrooms and 35 warehouse clubs.

Alaska has the fewest number of stores of any state in the country, with four discount department stores, two catalog showrooms and two warehouse clubs.

Only one state has no catalog showrooms: Hawaii. Puerto Rico, with 10 discount stores, also has no catalogers or warehouse clubs.

In addition to Puerto Rico, and the District of Columbia, Vermont, North Dakota, South Dakota, and Wyoming had no warehouse clubs in '89.

The East North Central region, with five states, has the most discount department stores—1,544, followed by the South Atlantic with 1,513 and the West South Central states, 946 from four states.

The greatest concentration of catalog showrooms was in the South Atlantic region last year, with 274 units, followed by the Mid-Atlantic with 214 units, and the East North Central states, with 147.

The state with the greatest number of catalog showrooms was New York, with 109 followed by Florida with 99 and Pennsylvania with 64.

Warehouse clubs were in their greatest abundance in the Pacific with 94 clubs, followed by the South Atlantic with 71 units and the East North Central with 56.

California had the most number of warehouse clubs in 1989, 73, followed by Texas with 35 clubs and Florida, 28.

We remember where we started. With children in country schools, posing for pictures that made their parents proud.
It was a long time ago, when we learned how much photos matter.
And because we know, we treat photos with exceptional care, before we pass them on to you.
Qualex. We put time on your side.

You never forget the first time.

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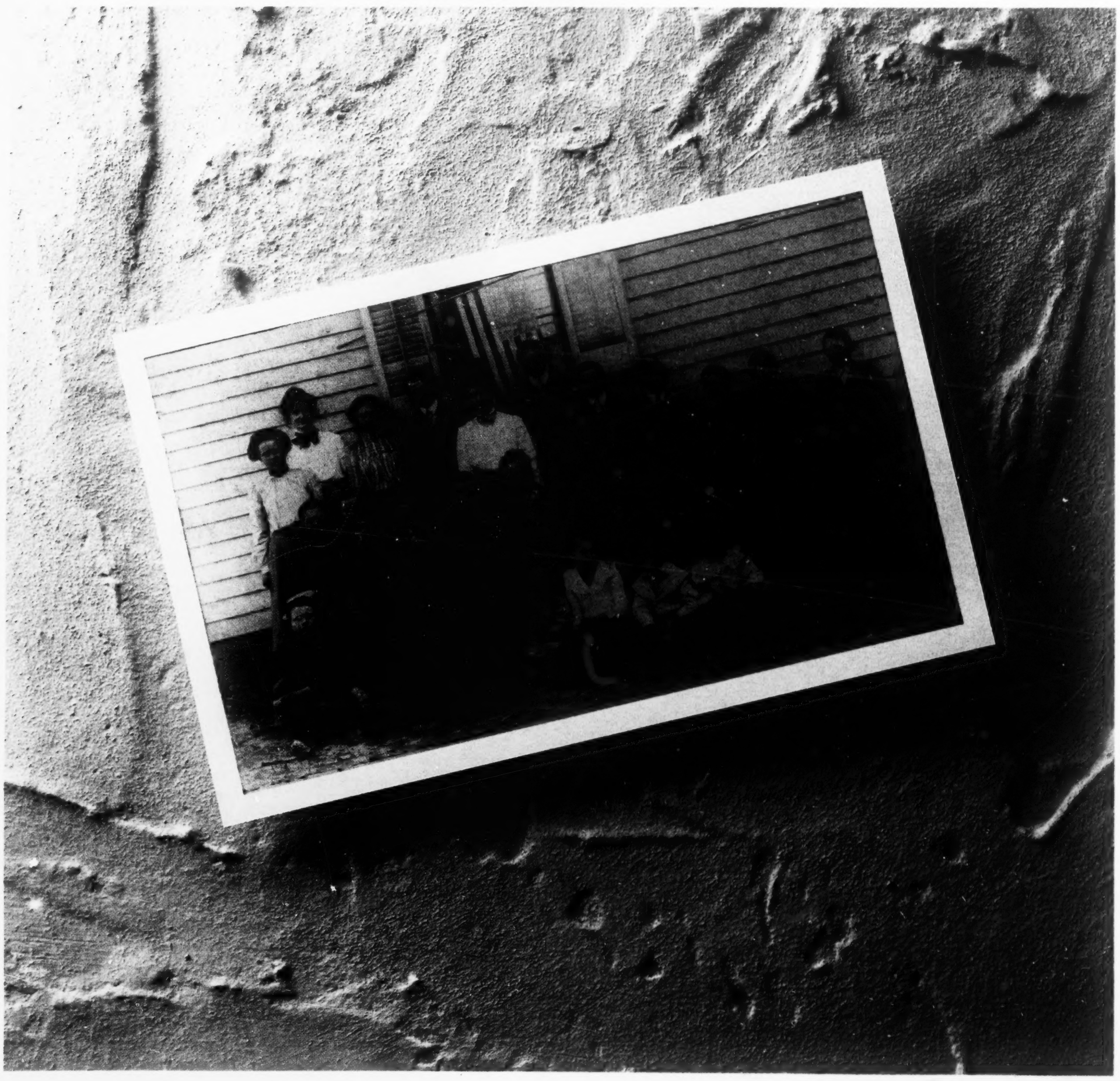


Chainwide Remodeling Key to K mart's Future

New Concepts, Acquisitions Rejuvenate No. 1 Discounter

TROY, Mich. — The 1990s will see the most ambitious remodeling program in discount history, as K mart revamps its 2,200 stores to conform with its new Oak Park, Mich., prototype. At the same time, the chain will add about 300 new stores and relocate another 200 or so.

The nation's largest discounter has struggled over the past two years and, until recently, appeared to be stagnating. It had stopped growing, adding only 50 or so stores a year, and many of its storefronts had become obsolete.

DISCOUNTING'S TOP 10 1

Archrival Wal-Mart had jumped ahead of K mart in developing new concepts, becoming a leader in the wholesale club business with Sam's and in the hypermarket business with Hypermart USA. K mart had only a handful of Makro quasi-warehouse clubs to show for its expansion efforts.

But 1989 saw a flurry of activity. In early spring, K mart debuted its hypermarket, American Fare, then followed with what Wal-Mart calls a supercenter, a food/general merchandise amalgam called "Super K." As has been Wal-Mart's experience, the latter, a smaller, more sku-intensive version of the hypermarket, has been more successful.

Later in the year, K mart bought Pace Membership Warehouses, a successful chain that immediately put K mart on the wholesale map.

In early 1990, K mart purchased The Sports Authority, a successful sporting goods megastore operator. In both cases (Pace and Sports Authority), the purchase included the services of current management; Charles Steinbrueck of Pace and Jack Smith of Sports Authority. K mart not only strengthened its retail presence, it also deepened its senior management "bench" and acquired specialized category skills.

The Oak Park, Mich., prototype *(above and at right) reflects K mart's emphasis on developing key lifestyle departments into businesses with category dominance.* (DSN photos)

K mart

	1989	1988	% Change
Sales (In Millions)	$24,210	$22,940	5.5 %
Earnings (In Millions)	1,318.0	1,436.0	(8.2)
Stores	2,194	2,145	22.8

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: operating income (profit/loss from continuing operations, before taxes and extraordinary items).

K mart sales and store counts are U.S. K mart stores only, earnings include K mart stores, Pace and Makro clubs, Canadian Kresge and Jupiter stores and one American Fare hypermarket. 1989 operating include also excludes a $598 million non-recurring charge for K mart store restructuring.

Source: DSN *research*

Oak Park, Mich.: Prototype *features brand name dinnerware merchandised with open stock displays.*

Earlier this year, chairman Joseph Antonini noted that the 1989 openings and acquisitions were the groundwork for K mart's long-term strategy for the coming decade. He envisioned "a core of 2,500 modern K mart stores" supplemented by a group of high-volume, value-driven specialty operations. Current speculation has K mart acquiring one or more ongoing office products chains in the coming years, and the retail giant might even look carefully at some form of off-price fashion apparel operation (a sensitive area, given the chain's well-publicized failure in the '80s with Designer Depot).

K mart is trying to reposition itself in the mind of its shopper, attempting to become more fashionable and upscale. While the notorious "Blue Light Special" will probably remain (even Wal-Mart has copied the strategy with "Red Light Specials"), as will low-cost apparel, most departments will see an ever-increasing attention to fashion and upmarket goods.

At the Oak Park prototype store, the apparel departments are a sea of neon, and hot licensed apparel (e.g. The Simpsons, New Kids on the Block) highlighted the juniors and children's areas. Each department contains bright, colorful transparencies, and goods are displayed on waterfall and other fashionable fixtures.

The Martha Stewart coordinated collection dominates the home fashions department, and it is joined by high-fashion products from leading mills. While promotional and opening-price goods are still an important part of the mix, higher price point fashion goods are now at least equally important.

Similar trends are evident throughout the store, in consumer electronics, photo, housewares and toys (which currently features a whole Ninja Turtle wall). The store illustrates K mart's emphasis on developing key lifestyle departments into businesses with category dominance.

As the prototype spreads throughout the chain, K mart hopes that it can attract the relatively affluent shoppers that have been siphoned off by specialty stores, warehouse clubs and upscale discounters like Target.

It will be a long-term project, however. K mart, for whatever reason, has developed a stigma among upper middle-class consumers.

K mart may have sabotaged itself by relying almost exclusively on private label apparel which too often tended to be less than fashionable and poorly constructed. It will struggle to get shoppers back into the habit of shopping the full store.

According to Antonini, the private labels that remain, most notably Jaclyn Smith, have performed well and are returning healthy margins. The company is exploring other celebrity endorsers to escape the low-fashion public perception.

That was also the intent of the Martha Stewart tie-in, which reportedly cost K mart millions. Denied hot designer names in domestics and designer-type products in housewares, the company attempted to create its own hot designer name, which would allow it to compete against specialty stores and department stores like Macy's.

To date, Martha Stewart has not been a raving success. During the annual meeting, Antonini supported the program and said he was happy with sales results, but indications are that with the exception of one hot sheet/comforter pattern, the program has not created the degree of excitement K mart thought it would. However, a K mart store manager noted that Stewart's TV and cable specials have "legs" and can run year after year, spreading the K mart word and leveling the initial investment over time.

A significant change in the fashion focus at K mart is the company's decision to cut circulars in half, to one a week, and to sharply reduce the number of goods advertised in each circular. The result is more focus on fashion, bigger illustrations, and a lifestyle, every day low price message. So far, according to the company, consumers have reacted positively to the changes.

A year ago, K mart seemed to be a chain in decline. But in 1989, Antonini made the sweeping changes most analysts said would be necessary to keep the company competitive. However, most of those changes have yet to trickle down to the average K mart store. The Troy giant's fate is now inextricably entwined with the ultimate success of its new ventures and remodeling program.

Wal-Mart Poised to Run Away From the Field

BENTONVILLE, Ark. — $125 billion by the year 2000. That's the lofty sales target Sam Walton has set for Wal-Mart, the fastest-growing retailer of the past decade.

To put that figure in perspective: the top 50 discount retailers of today (including membership warehouse clubs and specialty chains) generated about $128 billion in sales last year, or about the same as what Wal-Mart alone hopes to ring up 10 years from now.

DISCOUNTING'S TOP 10 **2**

Including its Sam's Wholesale Club division, the retailer expects 1990 sales to reach $32 billion, up from $25.7 billion in 1989.

Wal-Mart's discount store division crashed through the $20 billion sales barrier last year, holding on to its No. 2 ranking among discount chains and closing the gap on No. 1 K mart by nearly $3 billion. Wal-Mart's 1,402 discount stores rang up $20.97 billion in sales last year, a 24.7 percent gain over 1988's total. With another 170 discount stores expected to be opened this year, Wal-Mart's discount division should approach $27 billion in 1990 sales. The gap between Wal-Mart and the rest of the discount industry is likely to widen this year as the chain enlarges and modernizes about 130 stores.

Consumer electronics, Charlotte, N.C.: *The CE department at the chain's second 'vendor' store capitalizes on boom in home office sales.* (DSN photos)

At their projected growth rates, 1990 could be the year in which Wal-Mart passes K mart in the race for discount store sales leadership.

Operating income of the discount division rose 16.7 percent to $1.539 billion, making Wal-Mart's operations the most profitable among discount retailers in the nation—surpassing K mart's long-time leadership in that important measurement.

Among current Wal-Mart states, Florida, Indiana and Ohio are expected to garner the greatest number of new store openings. A recently opened distribution center in Indiana should comfortably support expansion in the Midwest.

Using Sam's to test the waters, Wal-Mart will bring its discount stores to the Northeast in the coming year. The chain will open its first discount stores in Pennsylvania this year, and with Sam's opening throughout the Northeast, Wal-Mart discount stores can't be far behind.

The chain will also invade California this year, with stores already slated for three mid-state cities. The company sent executive vice president Nick White, who spearheaded much of Sam's phenomenal growth, to California to lay the groundwork for what is expected to be a massive store opening program on the West Coast. Other states in which Wal-Mart can be expected to expand into over the next year or two include: South Dakota and North Dakota, Utah and Nevada.

The synergy with Sam's is also showing up in a test program of opening Wal-Mart stores alongside Sam's Wholesale Clubs. Such combinations are currently in place in several markets including Madison, Wis., and Chicago, and more are planned. Harrisburg, Pa., for example, will get a Wal-Mart and Sam's combo.

In its modernization and expansion program, Wal-Mart is clearly favoring larger stores. Most new stores this year will be at least 95,000 square feet, with wider aisles and broader merchandise assortments.

Particularly in the past six months, Wal-Mart has dramatically improved its apparel assortments and presentations. While basic apparel business (foundations, men's and children's wear) has always been strong, the discount stores have vastly buttressed their fashion merchandising image.

In addition, a new small-store apparel prototype has been tested to improve apparel sales in Wal-Mart's smaller markets.

Wal-Mart appears to have settled upon the SuperCenter as its concept for combining grocery and general merchandise sales. Its three hypermarkets, in Garland and Arlington, Texas, and Topeka, Kan., have been remerchandised to the broader sku selection found at the SuperCenters.

Wal-Mart currently operates four SuperCenters, but could easily open twice that number over the coming year. Watch for a massive rollout of the SuperCenter concept in about two years, after Wal-Mart learns all it needs to know about the grocery business.

Last year, Wal-Mart also opened the discount industry's first "vendor store." This experimental store, which opened in Janesville, Wis., last fall, employs a number of new ideas on merchandise display and fixturing proposed by Wal-Mart's vendors. The 110,000-square-foot store includes a number of single-vendor shops in such merchandise areas as women's wear, bed & bath, and greeting cards.

Early in 1990, Wal-Mart opened its second vendor store—this one in Charlotte, N.C. President and chief executive officer David Glass described the newest vendor store as a "sort of correction of errors" from the Janesville unit. The Charlotte vendor store included a new 2,800-square-foot shoe center, a 3,000-square-foot Kids' World, a high-profile photo center, more vendor-sponsored shops in women's, men's and kids' apparel, as well as special vendor-designed fixtures in toys, automotives, and consumer electronics.

Despite chairman Walton's current bout with cancer, the company has the leadership to maintain its growth record. Glass, along with vice chairman and chief operating officer Don Soderquist, has assembled a young, aggressive management team prepared to do anything to keep Wal-Mart on top.

Among numerous major achievements over the past years, Wal-Mart was recognized last December as Retailer of the Decade by *DSN*.

Wal-Mart

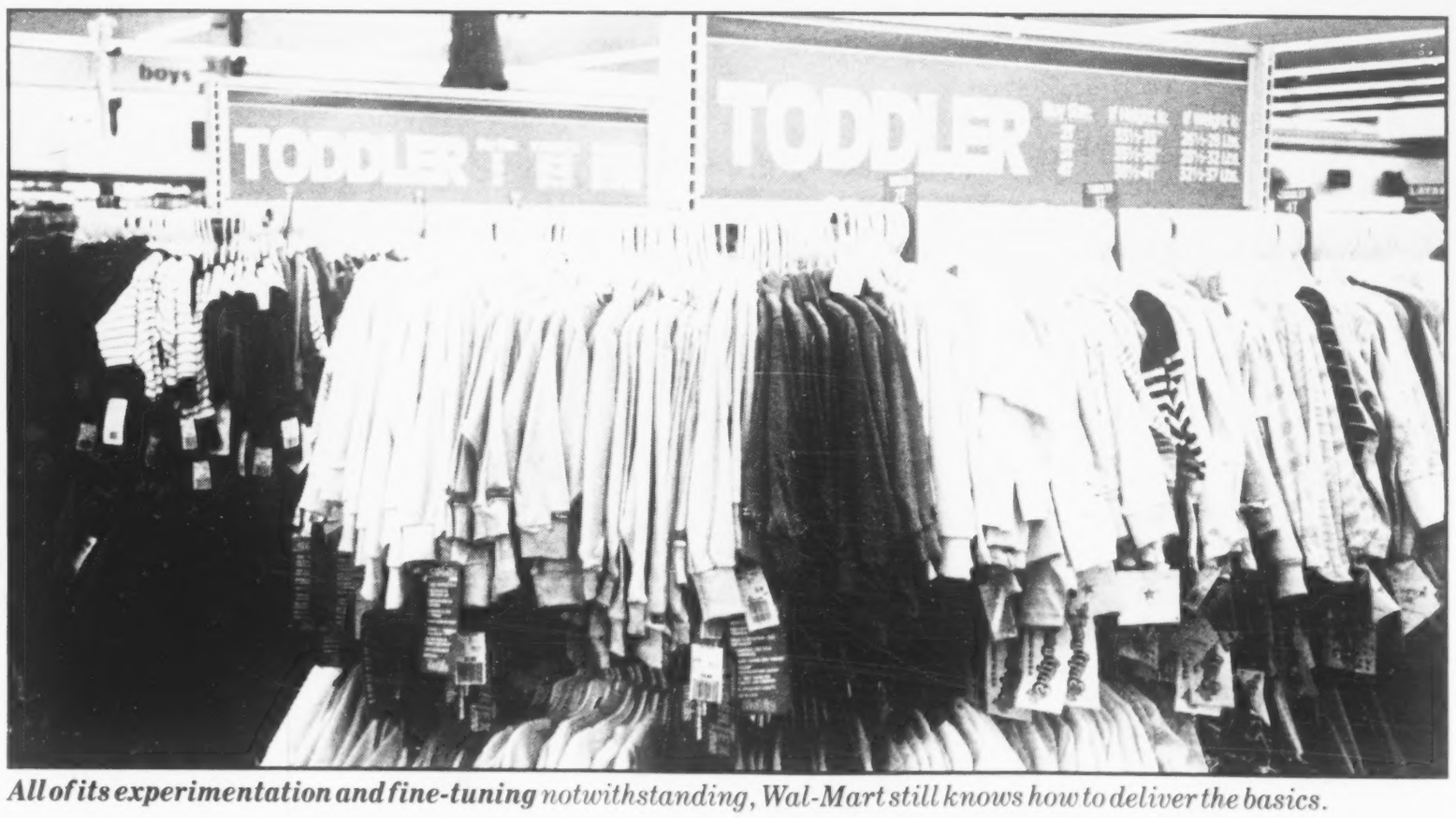
	1989	1988	% Change
Sales (In Millions)	$20,970	$16,820	24.7%
Earnings (In Millions)	1,539	1,325	16.2
Stores	1,402	1,259	11.4

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

Source: DSN research

Domestics, Janesville, Wis.: *Embellished towels are now readily available at most Wal-Mart stores.*



All of its experimentation and fine-tuning *notwithstanding, Wal-Mart still knows how to deliver the basics.*

ANNUAL REPORT: PART II/CHAIN PROFILES

Target Plans Large Non-Food Superstore Pilot

MINNEAPOLIS — Ending a test of everyday low pricing and launching a new sports promotion program, Target has set its course for the '90s.

The nation's third-largest discounter—Ames continuing debacle with its Zayre acquisition helped Target lock up the No. 3 slot—enjoyed a banner year in 1989.

Operating profits for Target soared 32 percent last year on a 19 percent sales gain. Same store sales rose 7 percent. Profits increased to $449 million in 1989 from $341 million the previous year. That was the 15th straight year that Target has posted a new earnings record. Sales jumped to $7.52 billion from $6.33 billion.

DISCOUNTING'S TOP 10 3

Sales per square foot rose to $197 in 1989 from $192 the previous year.

Operating profits as a percentage of sales increased to 6 percent in 1989 from 5.4 percent in 1988.

Target accounted for 46 percent of the operating profits of its parent, Dayton Hudson, and 57 percent of revenues.

Speculation that Target would take another step toward becoming a national chain by acquiring Caldor's 118 stores in the Northeast ended when May Department Store Co., sold the chain last fall to investors and management.

With the reopening in the spring of 1989 of 30 former Gold Circle stores in the Southeast and aggressive growth in California, expansion spiked at 60 units for the year. Target ended 1989 with 401 operating stores, compared to 341 the previous year. It was operating almost 40 million square feet of retail space for a store average of about 100,000 square feet.

The metro Los Angeles market now is Target's largest, with 41 stores. That compares with 19 for its home territory of Minneapolis-St. Paul.

Of Target's eight largest markets, two others are in California—the San Francisco Bay Area, 13 stores, and San Diego, 12. There are a total of 66 stores in California.

Projected store openings for 1990 fall into a more normal pattern, with 29 new units planned, for an expected count of 430 by the end of the year.

Although Target enhanced its upscale image last year with the opening of its P-88 prototype that features department store touches, hard lines still dominates soft lines sales by 2-to-1. Hard lines accounted for 67 percent of sales in 1989.

Target further burnished its upscale reputation last year by accepting American Express, hoping to attract new, more affluent customers who will check out with higher tickets.

Back in February, Target halted its 18-month test of everyday low pricing and fixed its sights on sales-oriented marketing. Starting with four units in Albuquerque, N.M., and Knoxville, Tenn., the EDLP test eventually expanded to about 50 stores, including the 30 former Gold Circles.

Although scotching EDLP, Target did incorporate some elements of the test policy, including more feature oriented circulars, with better and bigger photos and its Great Buy program on special deals.

In September, Target expects to open its new superstore format, called Greatland, in Apple Valley, Minn., a suburb of Minneapolis.

With 160,000 square feet of space, Greatland will be more than 50 percent larger than the average Target store.

Despite a size as large as K mart's second American Fare hypermarket, in Charlotte, N.C., and some of Wal-Mart's SuperCenters, Greatland won't get into the grocery business.

Instead, the additional footage will be devoted to wider shopping carts, aisles, checkout lanes and merchandise displays.

A major feature of Greatland will be what Target calls "customer-friendly adjacencies" that will lump together all items that customers associate with each other.

An example will be grouping hair dryers, hair accessories and health care electrics.

The experimental superstore, two years in the planning, will expand the offerings of traditional power departments: H&BA, toys, children's apparel, home decor, and stationery and home office.

For added customer convenience, Greatland will include a postal center, a one-hour photo lab, a pharmacy and a new restaurant.

Target is building at least one more, and possibly two, Greatland superstores.

In its promotions, Target is turning to sports marketing. In 1989, it co-sponsored Wil Steger's dog sled crossing of the Antarctica and developed a line of winter sports gear and apparel bearing his name.

This spring, it hooked Babe Winkelman, a professional angler, to promote expanded offerings in fishing gear.

And it became a co-sponsor of a 500-style race car in time for this year's Indianapolis 500.

In its hometown, Target is involved in sports promotion with the Timberwolves, a National Basketball Association expansion team.

Next year, look for Target to launch similar ventures with the Los Angeles Lakers basketball team and the Los Angeles Kings, a hockey team.

Another sports marketing program for 1991 will involve Monday Night football and the National Football League.

Reacting to consumer concern about the environment, Target adopted the Kids for Saving Earth, a new club intended to get children involved in such programs as community recycling.

Target is committing about $1 million in 1990 to the environmental club, launching it just before Earth Day, April 22.

The environmental program, along with many other community service efforts, helped Target earn the 1989 Discounters in Service to the Community (DISC) award, sponsored by *Discount Store News*.

In another apparent coup, Target chairman Robert Ulrich was elected Discounter of the Year earlier this year by his peers in the industry. He will be honored at *DSN's* annual SPARC banquet, Aug. 12, in Chicago.

Target

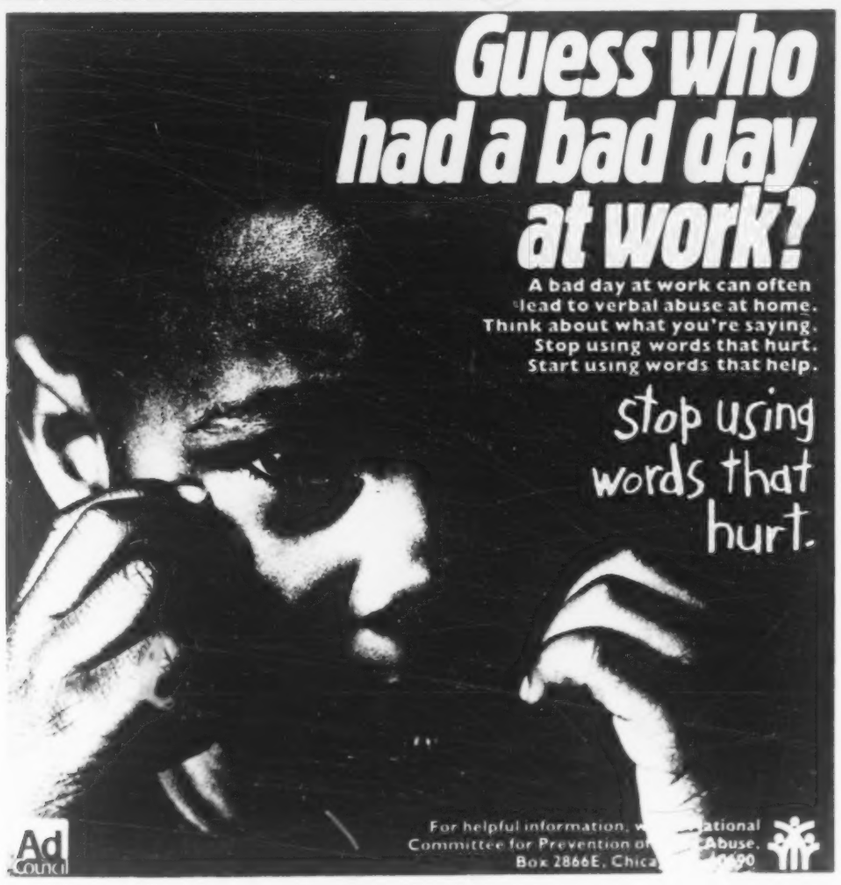
	1989	1988	% Change
Sales (In Millions)	$7,519	$6,331	18.8%
Earnings (In Millions)	449.0	341.0	31.7
Stores	401	341	17.5

Earnings: operating income (profit/loss from continuing operations, before taxes and extraordinary items).

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Source: DSN research

Target, San Diego: *This store is one of a dozen located here that comprise the chain's 66 Calif. stores. The rest include 41 in Los Angeles and 13 in the San Francisco Bay Area.*


Guess who had a bad day at work?
A bad day at work can often lead to verbal abuse at home.
Think about what you're saying.
Stop using words that hurt.
Start using words that help.
stop using words that hurt.
Ad Council

The full-line discounter *has committed $1 million to the Kids for Saving Earth club.* (DSN photos)

BUSINESS PRESS AD NO. CA-2604-89—4⅝" x 5" [110 Screen]

Ward Completes Transition to Specialty Formats

CHICAGO — The week of June 18 to 22 was Associate Recognition Week at Montgomery Ward and the second anniversary of the company's leveraged buyout from Mobil.

Celebrating with contests, special drawings for a car and vacations plus a companywide picnic, the chain had much to cheer about this year: Sales passed the $5 billion mark in 1989 and the company has successfully shed its mass merchandiser image and became the "chain of value-driven specialty stores" it fashioned for itself four years ago.

DISCOUNTING'S TOP 10 4

Montgomery Ward also has held onto the No. 4 spot on *DSN's* top 150 list for the second consecutive year. With sales of $5.03 billion, up 3.4 percent from 1988, the Chicago-based chain was the fourth-largest discount store chain in the nation, behind only K mart, Wal-Mart and Target.

The chain grew by nine units to 333 stores in 1989, earning $208 per square foot. Ward plans to pick up its expansion pace with 53 more units this year.

The store growth will include both its full-line version and freestanding specialty units such as Auto Express, Electric Avenue and its newest format, Kids Stores.

In fact, Montgomery Ward opened two more Kids Stores in April, for a total of seven, and announced plans to include the children's specialty units in all future full-line stores.

Currently, 18 Kids Stores are planned for the next two years. The first five Kids Stores "met or exceeded expectations," according to Bob Frechette, vice president and general merchandise manager, children's and men's apparel.

In October, Ward opened the first of five freestanding Kids Stores in the Chicago area. Averaging 13,000 square feet to 15,000 square feet, the Kids Store is expected to generate $225 per square foot on merchandise ranging from newborn to boys' size 20 and girls' size 14, with a mix of national brands and private label including the chain's new Raggedy Ann and Raggedy Andy merchandise.

Montgomery Ward seemed to solidify its direction for the 1990s last spring when it debuted its off-price mall format in Tucson, Ariz. The 102,000-square-foot unit looked like a mall from the outside. Two of the chain's power formats, Electric Avenue and Auto Express, appeared to flank the main store as if the three were separate entities.

The two specialty store formats were identified on the outside of the building with their own separate, front entrances that frame the main door giving the impression of a mall and not a single store.

Ward's other specialty formats, The Apparel Store, The Kids Store, Gold 'N Gems and Home Ideas were given separate entrances off the main part of the store. Music Express, a record store, and Doctronics, a CE repair store, were also included as was Pro Jersey, a sports apparel chain, a leased operation.

Recently, Montgomery Ward updated the Tucson format. On the exterior of the "mall" a gabled roof line adds a distinct look to the store. Inside, more national brands have been added, including three new celebrity lines. Ward has added a line of misses sportswear and casual related separates by tennis superstar Chris Evert under the name Chrissie; top fashion model Elle MacPherson now has a line of signature sportswear and fun/youth-oriented intimate apparel; and TV actress Connie Selleca has put her name on women's career apparel at Ward.

In addition, the store manager's office and customer services have been pulled from the back reaches of the unit to a more prominent place within the store for greater customer access.

Montgomery Ward's specialty store strategy evolved over time from its 1986 introduction. Everyday low prices and its first specialty department, Auto Express, debuted in 1987 followed in 1988 by the expansion of EDLP, the introduction of Electric Avenue and the slashing of 10,000 prices. In 1989, EDLP on all brand name merchandise was implemented.

Expanding its version of value-oriented specialty retailing grew in 1989 in part to several acquisitions or equity arrangements: its equity stake in Office World and the leasing of space in Auto Express to Quaker State quick lube centers and SAFELITE auto glass replacement shops.

Montgomery Ward purchased an equity position in now defunct Office World, an office supply superstore based in Great Neck, N.Y., last year in an effort to tap the exploding home office supplies market. At the time of the arrangement, company chairman Bernard Brennan said the purchase reflected the chain's strategy of expanding further into specialty retailing.

In April, Office World was merged into OfficeMax, a Cleveland-based office supply superstore chain, and Ward's equity position was transferred in the acquisition.

Last year Ward began leasing space in some of its Auto Express centers to Quaker State for Minit-Lube Centers. The program began with the Auto Express unit in Livonia, Mich., where Quaker State installed the first of 24 Minit-Lube Centers. Ward also began leasing space to SAFELITE, Wichita, Kan., for auto glass replacement shops at about 50 Auto Express centers.

Other internally generated expansion ideas also blossomed in 1989, particularly the Kids Store and Wardrobes, a revamped mix of men's, women's, intimate apparel, shoes and accessories.

Geared for the middle market and priced to either meet or beat discounters' prices by about 20 percent, Wardrobe's merchandise is grouped by look and style and concentrates on displaying color stories.

Wardrobes was designed to create a niche for Ward by developing a program that falls between department stores and discount retailers in product selection and service. Brand name merchandise was beefed up, upgraded and regrouped to create the department. Ward also is now using a major private label manufacturer to help it establish some key fashion areas.

Apparel was probably the last major area to be addressed after Ward decided to be a chain of value-driven specialty stores. Towards that goal, Ward reintroduced junior sportswear, added young men's apparel, and shifted to a self-service shoe department complete with more athletic brands.

And most recently, Brennan announced some organizational changes designed to support the company's growth plans.

Chief among the new appointments was the return of William J. McCarthy to Ward as president of marketing.

Montgomery Ward			
	1989	1988	% Change
Sales (In Millions)	$5,028	$4,865	3.4%
Earnings (In Millions)	NA	130.0	—
Stores	333	324	2.8

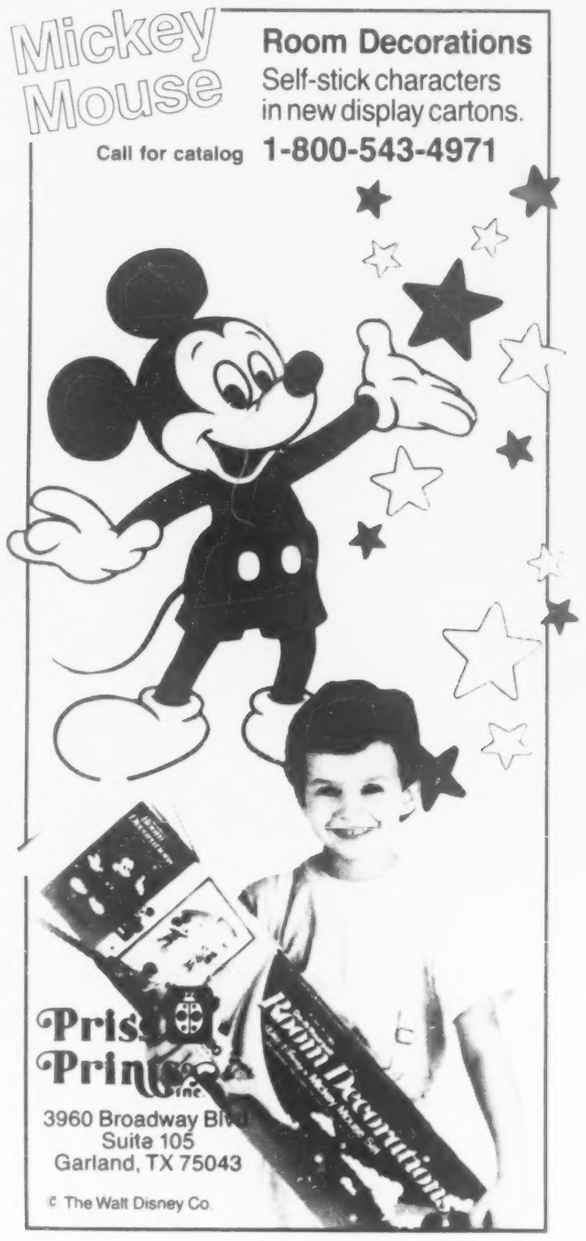
Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

NA: Not available

Source: DSN research

***Montgomery Ward's new** full-line store, at Waldorf, Md., merges all of the chain's specialty departments.*



***Gold 'N Gems, San Diego**, is another of Ward's specialty formats that have been unveiled in the last two years.* (DSN photo)

Ames Has Rocky Road Ahead in '90 After Failing to Digest Zayre Stores

ROCKY Hill, Conn. — 1989 will go down as a *very* bad year for Ames Department Stores, a year in which the formerly profitable chain lost over $200 million. And fiscal 1990 opened with a bankruptcy petition, the resignation of its ceo, mass store closings and a new management team.

DISCOUNTING'S TOP 10 5

Will that be enough to set the chain back on its feet? Reaction from observers is mixed, but most think that if everything goes well, the company could return to profitability in two years or so. But it will be a painful two years, and the chain that finally emerges will look almost exactly like the Ames that bought up G.C. Murphy and Zayre—a smallish regional operation with 300 or so primarily rural stores.

The Zayre acquisition, of course, bears most of the blame for the fall of Ames. The Massachusetts-based chain had been on the decline for a decade, its stores getting shabbier and shabbier and its relationship with coveted brand name manufacturers going through a similar process. By the time of the purchase, many of its stores were primarily in the promotional paper towel and toothpaste business, with virtually no apparel and other soft lines sales. And, according to vendor sources, Zayre was also afflicted with chainwide fraud and employee-generated shrinkage.

New chairman and ceo Stephen Pistner has pledged to cut operating costs to the bone, remerchandise Ames stores and eliminate waste. And observers feel he can do most of what he says he can. Ames has re-established relations with its vendors and paid many past-due accounts, resulting in a healthier credit line. The company missed most of the prime spring selling season, but should be in-stock for back-to-school next month.

But cash flow will continue to be a problem, and the company still has crippling debt associated with the Zayre purchase. John Geisse, chairman of The Wholesale Club and an Ames board member until he and former Ames chairman Herb Gilman were overruled on the Zayre acquisition, noted that the new Ames will look a lot like the old Ames, but $800 million poorer.

That debt load, even with the protection of the bankruptcy court, will severely limit Ames' ability to maneuver, and could easily prolong its stay in Chapter 11. And, historically speaking, the longer a company remains in Chapter 11, the less likely it is to emerge from bankruptcy.

Ames has benefited from relatively strong vendor support. Many vendors said that the account is just too important to lose, and have therefore been cooperative with reorganization plans. Nevertheless, the next six months will be vital to Ames as an ongoing force in discounting.

Ames

	1989	1988	% Change
Sales (In Millions)	$4,986	$3,363	48.3%
Earnings (In Millions)	(228.0)	47.2	—
Stores	680	820	(17.1)

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

Source: DSN *research*

Price Club Sets Steady Growth Pace

SAN DIEGO — Price Club will step up its growth program this year, augment development plans for its store sites and continue to expand its innovative specialty services to more membership warehouses.

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The moves are designed to maintain its leadership role as competitors have become more adept at cloning the club's concepts.

Price Club's preeminent position is evident from the measurements in which it ranks No. 1: $104 million sales per store; $1,160 sales per square foot; 225 receivable turns; 19.4 inventory turns; 45.7 percent return on inventory; and $436.100 sales per employee.

Price Club will open at least 11 stores this year and 10 more are slated for 1991, compared with six in 1989. This year's units will include:

- The chain's entry into Colorado with stores in Aurora and Westminster, pitting it against Pace.
- Four to six stores in the Northeast, a supposedly 'understored' region that is now being blitzed by other clubs. Price, which already has four stores in Virginia, three in Maryland, two in New York and one each in New Jersey and Connecticut, will add two more each in Maryland and Virginia and one in New Jersey, New York, Pennsylvania and Rhode Island.
- Another two in California, currently home to 28 Price Clubs. The duo reflects the firm's effort to fill in markets in its home state which has seen other warehouse clubs open over three dozen units during the past few years.
- Two Midwest sites, representing Price Club's debut in that region, by the end of '91.
- At least two more Price Club Canada warehouses to expand to eight the operation jointly owned with Steinberg Inc., a Canadian retailer.

Opening new stores—almost all of which are owned by the company—is just one element in Price Club's real estate strategy. Its other component is developing company-owned sites into shopping centers, with other high-volume, low mark-up specialty retailers as co-tenants.

The company pursues this effort through P&K Associates, a joint venture with Kornwasser & Friedman, a Los Angeles-based shopping center developer. The venture is involved in the planning, development or management of about 30 real estate projects that include a number of Price Club sites which are being transformed into power centers.

Price Club noted in its annual report that the real estate activities utilize its expertise in property acquisition to obtain sites "in excess of the needs of a Price Club" for shopping center development that will produce "rental income from lessees who, to some extent, capitalize on the customer traffic generated by the company's warehouse."

The shopping offered by these other merchants is part of Price Club's drive to strengthen its attraction to members.

These services, many of which were pioneered by the company, include tire centers (in all clubs); optical centers (already in most West Coast stores and being phased into East Coast units); one-hour photo labs (in a number of California clubs and going into other units), an office supply delivery service, hearing aid centers, pharmacy departments and fresh baked pizza kitchens, all being tested in some clubs.

Price Club

	1989	1988	% Change
Sales (In Millions)	$4,901	$4,053	20.9%
Earnings (In Millions)	191.9	156.6	22.5
Stores	47	41	14.6

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

Source: DSN *research*

The Infinity Zoom 200–A lot

When you see what our revolutionary Auto-S Portrait flash has done to significantly reduce "red eye," there's no question that the innovative Olympus INFINITY ZOOM 200 is a technological masterpiece.

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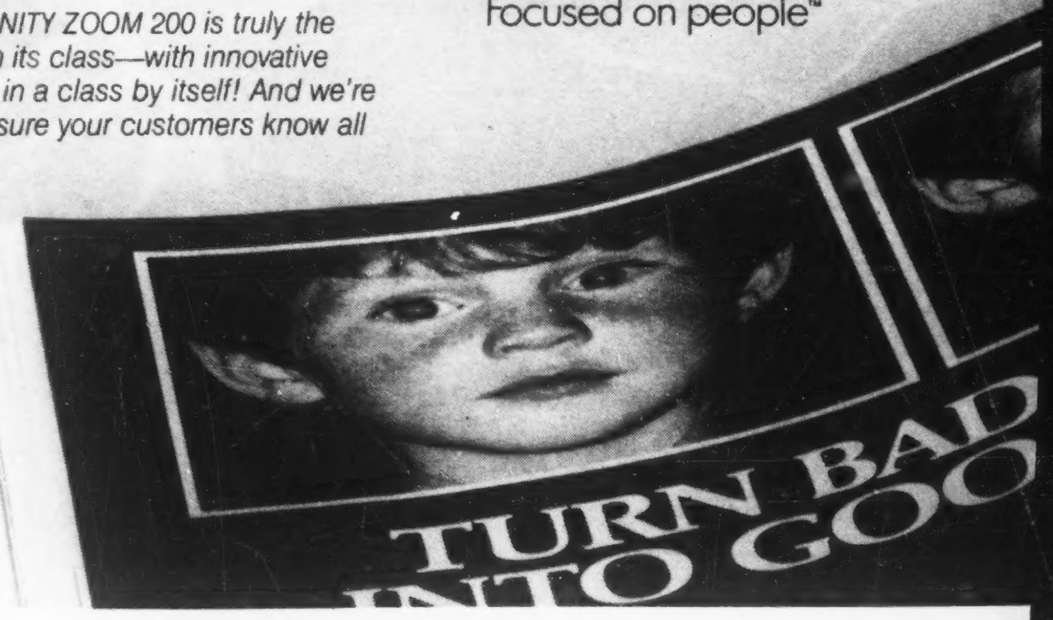

Sam's Expansion Is Key to Wal-Mart's Success

BENTONVILLE, Ark. — Wal-Mart plans to continue the explosive growth of its Sam's Wholesale Club arm this year by:

- Adding 25 to 30 new stores to boost Sam's count to at least 148 clubs, double the number of any other warehouse club chain;
- Debuting units in four new states to expand Sam's coverage to 29 states, almost triple that of any other membership warehouse club.

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Sam's growth this year will be funded by $223 million in capital expenditures for new stores and updating of current units with such new services as scratch bakery and fresh meat and produce departments. The capital expenditures are an 85.8 percent jump from the $120 million budgeted last year and reflects the greater contribution Sam's is making to Wal-Mart's overall retailing success.

Sam's expansion should add at least another $1 billion to its sales—the increase for each of the past five years—and push its volume to $6 billion, clearly making it the leading membership warehouse in sales and stores.

Last year, the 123 Sam's in 25 states generated $4.8 billion in sales, a 26.4 percent rise from $3.8 billion in 1988.

These statistics alone, however, don't indicate Sam's interrelated impact on parent Wal-Mart or the membership warehouse industry.

Sam's growth has maintained the wholesale club's record of accounting for a larger portion of Wal-Mart's sales each year. Last year, Sam's share was 18.8 percent of Wal-Mart's total $25.8 billion, compared with 1989, when Sam's slice was 18.5 percent of the parent's $20.6 billion.

Sam's entered Iowa, Michigan, Nebraska and New Jersey last year, as part of Wal-Mart's relentless attempt to make both its discount store and wholesale club operations continental chains.

As part of this nationwide push, Sam's expansion during the next 18 months will focus on the Northeast, one of the regions that has been bare of any Wal-Mart presence. Sam's strategy calls for the chain to open at least 20 clubs in the 11-state Middle Atlantic States/-New England region.

Sam's

	1989	1988	% Change
Sales (In Millions)	$4,841	$3,829	26.4%
Earnings (In Millions)	131.0	100.0	31.0
Stores	123	105	17.1

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

Source: DSN research

Sam's entered the region last year by opening a store in New Jersey with another due this year; warehouse clubs are also planned for Pennsylvania (10), New York (six), and at least one each in Delaware, Maine and New Hampshire.

Toys 'R' Us Still Going Strong While Competitors Falter

NEW ROCHELLE, N.J. — 1989 may have been a tough year for most toy retailers but not for Toys "R" Us, the nation's No. 1 toy chain.

Toys "R" Us recorded double-digit sales and earnings gains last year, outpacing all other toy retailers. TRU is a multibillion dollar retailer in an arena of much smaller operators. Its closest rival, Child World, recorded $830 million in sales last year from 174 stores.

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The nation's top toy retailer reported $4.313 billion in sales last year, up 18.3 percent from 1988, from 404 toy units. Excluding the international toy store division, TRU's sales were $3.773 billion, an increase of 16 percent.

Operating profits surged 18.1 percent to $493.7 million last year. For just the U.S. toy stores, operating profits rose 14.6 percent.

TRU was the eighth-largest discounter in the nation in 1989, dropping one notch from No. 7 in 1988. The top toy retailer was pushed back one spot because of the ascent of Ames, a result of its Zayre acquisition.

Toys 'R' Us

	1989	1988	% Change
Sales (In Millions)	$4,313	$3,647	18.3%
Earnings (In Millions)	493.7	417.9	18.1
Stores	404	358	12.8

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

Toys "R" Us sales include international toy stores (U.S. only toy store sales were approximately $3.8 billion in 1989); store counts are U.S. only.

Source: DSN research

At a time when many of its competitors are struggling to record even the smallest sales gain while holding onto profitability, what distinguishes Toys "R" Us from the rest?

Well, most retail observers marvel at how Toys "R" Us continues to gain market share while making investments in technology, store renovations and inventory. They also attribute TRU's success to the chain's dedication to its mission statement of offering the broadest selection of toys at the best price.

TRU, it seems, has not taken its No. 1 status for granted.

The toy chain plans to add between 45 and 50 new stores this year including its first units in Denver, Salt Lake City and Hawaii. Last year, the chain also announced plans to enter the New York market with its first location at Herald Square across from Macy's. The 70,000-square-foot store will be located down the block from Lionel Leisure's Kiddie City.

TRU also recently opened its first fully automated, computerized distribution facility in Rialto, Calif., near Los Angeles. The 1.2 million-square-foot DC uses supermarket industry techniques and employees can work five or six levels up, said Sosnick and Lakner, adding that initial results look "very promising."

Maintaining its premier status in the United States is important to TRU, but so is conquering the global toy market.

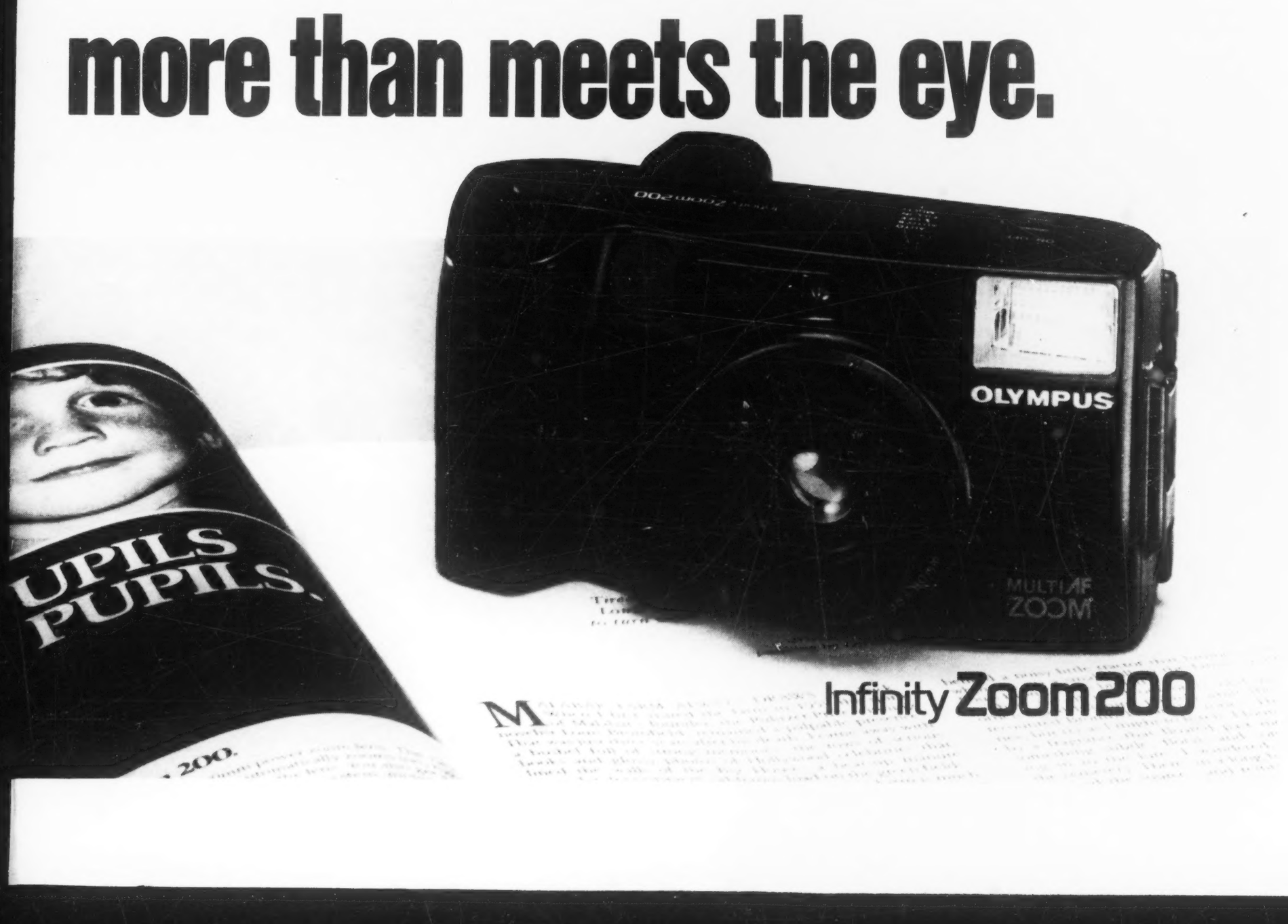
TRU plans to open 25 toy stores abroad this year followed by 35 new units in 1991 including stores in Spain, Italy and Japan, new markets for the toy retailer. In 1992, TRU will open in the Benelux countries—Belgium, The Netherlands and Luxembourg—and Australia.

In 1989, TRU opened 22 stores abroad including France and Taiwan, for a total of 74 units.

For TRU the massive economic changes sweeping Europe offer numerous expansion opportunities. TRU will open five to six toy stores in Japan in 1991. And through TRU's joint venture with McDonald's of Japan, TOY—expansion should be rapid, about 20 units.

This year, TRU International will reach $750 million in sales, a 40 percent gain from the $534 million in 1989.

TRU International accounted for 11 percent of total sales in 1989, up from 1 percent five years ago.



Service Regroups, Sheds Non-Catalog Ventures

NASHVILLE, Tenn. — Service Merchandise entered the '90s by putting its house in order.

The thrust of this effort: refocusing the firm's operation on its core, successful business, catalog showrooms.

The key move last year was the $500 million-plus recapitalization of the company that:

- Paid a $10 a share special cash dividend "designed to enable . . . shareholders to realize a significant portion of the current value of their shares in cash, while at the same time retaining their equity interest in the company." That financial move cost the cataloger about $506.5 million.
- Saddled the company with over $600 million in additional debt that was meant to discourage any unfriendly takeover. Service had been cited as a possible takeover target during the last two years when a number of other retailers such as Best Products—then the leading cataloger—were acquired in leveraged buyouts and/or raids.
- Caused the cataloger to carry out a top-to-bottom analysis of its costs to develop tighter controls on expenses. The aim was to boost merchandising and operational efficiencies to increase the cash flow necessary to pay off the higher debt.

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Once Service executed its recapitalization, it focused on its cataloger operation by selling its 11-store Computer Shoppes chain. The company had retained that non-catalog business after phasing out its money losing 27-unit Mr. HOW home center chain during 1985 and 1986, a move that resulted in Service's only red ink bottom line during the past half decade in 1986.

Service Merchandise

	1989	1988	% Change
Sales (In Millions)	$3,307	$3,093	6.9%
Earnings (In Millions)	$111.8	$121.3	(7.8)
Stores	334	317	5.3

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

( )—loss *Source: DSN research*

The company enhanced its catalog operation last year by opening a distribution center in Orlando, Fla., that serves four Southeast states. It's Service's fifth such facility and the chain is considering opening a distribution center in the Midwest to join the warehouses in Montgomery, N.Y., serving 13 states; Nashville, serving 11 states; Dallas, serving 10 states, and Henderson, Nev., serving four states.

The cataloger also completed installing its satellite communication network to enhance its data processing/communication system. This retail technology includes electronic registers and scanners in all stores to capture sales, provide faster authorization of credit cards—including Service's own two-year old charge card—and Silent Sam terminals that allow shoppers to see if the merchandise they want is in stock prior to placing an order. Silent Sam can suggest alternative items for goods that aren't available.

Service uses its retail technology to augment its jewelry merchandising by adding regional selections to its chainwide offering, promoting the additional items in catalog inserts.

The total of Service's recapitalization and refinement of its operation was the opening of 17 more showrooms to reach 334 stores—most in the industry—along with a 6.9 percent increase in sales to $3.3 billion from $3.1 billion but a 5.8 percent drop in net income to $71.9 million from $76.5 million.

The lower earnings, which are still higher than any other showroom chain, are directly due to the recapitalization, which included $30.3 million in incremental interest expense debt and added $15.6 million to selling, general and administrative expenses or a 0.5 percent increase in SG&A.

The recapitalization costs haven't slowed down Service's planned growth in 1990, which should see the cataloger reach $3.7 billion in sales.

The cataloger, which has stores in 37 states and faces most other showroom operators, plans to open at least 13 new showrooms this year. These units—all of which are going into states where Service already has stores—include three additional stores in Virginia—rival Best Product's home state—which Service entered last year with a quartet of stores. The company already has four showrooms on the drawing board for next year, two sited for Virginia.

Service this year is also acting to "reduce the level of its recapitalization-related bank borrowings as quickly as possible," said Raymond Zimmerman, chairman and president. It easily met a $20 million payment due in December 1989 on the $360 million Secured Term Loan portion of the recapitalization and utilized excess cash flow this past March to prepay another $35 million of that loan.

The $140 million bridge loan part of the recapitalization is being refinanced through the just completed offering of $90 million in First Mortgage Secured Notes due in 2000. The remaining $50 million is to be converted this month into a term loan due in 1995.

On the operational side, Service is starting to probe Quick Response, specifically developing electronic data interchange arrangements with vendors. It's also probing the updating of Silent Sam into an interactive terminal that will place orders and accept credit cards as payment for merchandise, eliminating the need for shoppers using this system to go to an order/payment desk.

Costco Targets Northeast for Opening of Six Clubs

KIRKLAND, Wash. — Costco Wholesale Corp. will participate in the assault on the Northeast this year with the first of six clubs opening in West Springfield, Mass., this fall.

Like other warehouse club chains, Costco has identified the Northeast for expansion. So far, the Kirkland, Wash.-based chain has targeted Massachusetts, Connecticut and New York for expansion. The planned units follow the chain's new regional office which opened last September in Massachusetts.

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So important is Costco's move into the Northeast that a new management team was created to guide the expansion. At the helm of the Northeast operation is Franz Lazarus, senior vice president of operations.

When Costco arrives in Massachusetts later this year, it will feature the company's newest prototype, complete with a greatly expanded fresh food department.

At Costco's annual meeting in January, club president Jim Sinegal officially proclaimed the company's test of fresh food departments a success and said the chain would roll out the new program to all its stores by the end of 1991, including the clubs it plans to open in the Northeast.

At the time of the announcement, Sinegal called the fresh food program—meat, produce, deli and bakery—a value-added feature for club members and a profitable undertaking for Costco. Costco started testing fresh meat and produce, deli and bakery in 1987.

To accommodate the newly expanded departments, Costco added an average of 20,000 square feet to its clubs, bringing the unit size to about 120,000 square feet. By the end of this fiscal year, Costco expects to operate fresh food departments in 55 of its locations. A complete chainwide roll out is planned.

Besides fresh food, Costco said it also would expand the number of optical centers and pharmacies in the chain, to 13 and 40 respectively, from six and 17, respectively.

Overall, Costco will add approximately 100 new sku's this year through continued upgrading and increasing of its selection of jewelry, books and videos, apparel and consumer electronics. Despite these increases, the chain will record a net loss of about 100 sku's, to 3,400 from 3,500, according to chairman Jeff Brotman. The reduction is due to the chain's continued process of refining its merchandise offerings.

Accomodating Requests

Reacting in a timely fashion to merchandise requests by either adding or paring inventories to accommodate sales activity and customer/vendor requests has been cited by some Costco observers as one of the company's many strong points.

In January, Costco announced that it would no longer sell automobiles since the five Puget Sound clubs that were selling Hondas were not performing well. Honda, reportedly, was not pleased with the pricing.

On June 16, Costco closed three west Florida locations, Tampa, Clearwater and Palm Harbor, and in the fourth quarter will close its Lauderhill, Fla., warehouse in conjunction with a new warehouse opening in nearby Delray Beach, Fla.

Costco

	1989	1988	% Change
Sales (In Millions)	$2,943	$1,989	48.0%
Earnings (In Millions)	55.5	31.1	78.5
Stores	62	50	24.0

Sales: Total U.S. store volume from apparel, general merchandise, groceries.

Earnings: Operating income (profit/loss from continuing operation, before taxes and extraordinary items).

Source: DSN research

Costco's 1989 sales, ended Sept. 3, 1989, totaled $2.943 billion, up 48 percent from 1988's $1.99 billion. Comparable store sales rose 25 percent for the 12-month period. Operating income for the year was $55.5 million, up 78 percent from the $31.1 million recorded last year.

Costco opened 13 new warehouses during fiscal 1989, all in existing markets. In addition, the wholesale club chain opened nine pharmacies, two optical shops as well as 24 fresh food departments.

In fiscal 1990, Costco's plans included opening 12 new warehouses and the continued expansion of in-house pharmacies, optical and fresh food departments.

So far for fiscal 1991, which begins in September, Costco's plans to crack the Northeast beginning with the West Springfield location, and a total of 10 to 14 warehouses overall.

So far, it appears that the Northeast expansion program is the cornerstone of the company's fiscal 1991 program.

To finance the Northeast expansion and help fund growth in other markets, late last year Costco initiated a public offering of 2.5 million shares of stock. In 1989, it also boosted its bank credit line from $150 million to $250 million to help fund its expansion.

Last spring Costco called for the redemption of its convertible subordinated debentures to allow the then 53-unit warehouse club chain to improve its balance sheets, company chief financial officer Richard Galanti told *DSN*. By taking a $108.5 million outstanding bond and prompting conversion of the debt to common stock, Galanti said Costco was able to reduce its debt, increase equity and save money on yearly interest payments. He said Costco was able to make the move at that time because its stock was trading about $5 above the $18 redemption price of the debentures, making the conversion to stock especially favorable for bondholders.

Canada's Chains Face Growing Uncertainties

(Continued from page 1)

in the early '80s, is Canada's second-largest chain with $2.2 billion in sales last year. Montreal-based Zellers is third with $2.15 billion, while K mart Canada—including K mart, Bargain Harold and Kresge —rounds out Canada's Billion Dollar Club, with just under $1.3 billion in 1989.

The relative calm of the Canadian retail landscape could be jarred considerably as more U.S. retailers and formats invade the Maple Leaf nation.

The most recent entry was made by The TJX Cos., operator of the 367-unit T.J. Maxx and the 577-unit Hit or Miss off-price apparel chains. Less than a month ago, TJX bought Toronto-based Winners, a five-unit off-price chain.

Bernard Cammarata, president and ceo of TJX, noted, that "Winners provides us with the unique opportunity to develop the off-price family apparel concept in Canada . . . to date, the potential [of off-price retailing] has not been capitalized upon."

Specialty stores including Toys "R" Us, The Price Co., Costco and HeadQuarters Office Supplies, are deepening their roots in Canada while tapping sales from long-time indigenous chains like Canadian Tire and Zellers.

Nonetheless, Canadian Tire reported a 12 percent increase in sales last year, related in part to the opening of six new stores. Zellers volume inched up 2 percent. The other chains had single-digit percentage sales growth last year, with the exception of Montreal-based Giant Tiger. The retailer reported a 10 percent sales gain during 1989 when two Giant Tigers opened.

Consumers Distributing experienced minimal sales growth, but the company is in the midst of converting a number of its Toy City stores into "Plus" stores. The CD Plus locations combine the catalog showroom format with Toy City's format. The company converted seven Toy Citys to the Plus format during 1989; two are planned for this year.

Top Canadian Chains

Chain	Sales* (In Millions) 1989	Sales* (In Millions) 1988	Percent Change	Earnings*(Loss) (In Millions) 1989	Earnings*(Loss) (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91
Canadian Tire Toronto	$2,897	$2,597	11.5%	NA	NA	NA	408	414	NA
Woolco[1] Toronto, Ontario	2,203	2,113	4	125	103	17.6	354	345	352
Zellers Montreal, Quebec	2,150	2,100	2.3	$179.5	$142.2	26.2%	NA	212	218
K mart Canada Ltd.[2] Brampton, Toronto	1,293	1,235	5	NA	NA	NA	319	311	318
Consumers Distributing Canada Toronto	760[3]	740[3]	3	NA	NA	NA	225	230	230
Towers Dept. Store Toronto	572	533	7	NA	NA	NA	48	51	51
Giant Tiger Ottawa, Ontario	163	147	10	NA	NA	NA	52	54	NA
Metropolitan Stores (MTS) Pointe Claire, Quebec	70[3]	67[3]	4	NA	NA	NA	90	90	NA

**In Canadian Dollars*
[1]Includes Woolco, Woolworth and Robinson stores.
[2]Includes K mart, Bargain Harold and Kresge variety stores.
[3]DSN estimate.
NA — not available
Source: DSN research

The country's Goods and Services Tax (GST), which goes into effect on Jan. 1, 1991 (see *DSN*, May 7) could both help and hurt natives' attempts to compete against U.S. retailers, especially apparel retailers like T.J. Maxx.

On the one hand, the new tax has forced retailers here that do not have scanning or other POS technology to make the investment. That is because the new tax law requires new equipment to handle a two-tier tax structure.

But the GST also places a heavy tax (7 percent) on apparel, an industry which had previously been tax-free. The tax on apparel comes at a bad time since the category has been in a slump for the past two years.

Target Probes Picking System

(Continued from page 1)

The proprietary system works as follows:

PCS Technologies' software is used to produce the label that lists the goods to go into each store's break-pack tote or carton. As a tote is conveyed to each DC rack, the label is scanned and a PCS Technologies terminal lists the quantities that are to be picked from the soft goods stocked at that fixture.

The totes are conveyed through the DC, fills with the specific amount of merchandise at each picking station, then sealed and directed to the truck that will deliver the cartons to one of Target's over five dozen stores served by the Fontana DC.

As merchandise is manually placed into the carton, the picker enters the quantity into the terminal to update the order for the store and the DC's inventory listing. The picker can adjust the quantity going to each store in case there isn't enough merchandise on-hand to fill all the orders.

The information on the actual quantities being shipped is used to produce a manifest and to inform merchandisers on the status of each order.

The discounter expects to be able to process more goods through the DC in less space with the Pic Pak system than with its current manual pick and pack process. The retailer also foresees more accurate shipments to stores as the system simplifies the picking and packing process.

Apparel Firms Start to Clean Up

(Continued from page 5)

one of the most important environmental concerns is the sometimes hazardous way denim is processed to create the most fashionable, trendy jeans. Some of the chemicals discharged from jeans finishes wreak havoc with local water supplies. A number of jeans manufacturers are trying to address this situation.

Acid washing is one of the processes that requires the waste water to be treated before it flows back to the local water reserve. A procedure that returns the natural pH balance to the water, per federal regulations, is used by Gitano and other manufacturers, according to Dabah.

Bonjour also responded to environmental concerns, even before launching its environmental marketing campaign. The firm wrote to all its contract manufacturing facilities around the world, urging better environmental practices.

"We asked them to be more responsible," said Charles Dayan, president, Bonjour. "We suggested biodegradable soaps, asked them to recycle the water they use whenever possible and to treat water with dye in it before it goes into the local water." Dayan pointed out however that these remain suggestions rather than demands. "Some of the manufacturing facilities are in Third World countries where environmental safeguards are expensive or difficult to implement," he said.

At Wrangler, both finishing and laundering procedures are under scrutiny. A task force is considering the effects of these processes on local water supply and how better engineering or machine design can solve these problems. More immediately, according to Angelo LeGrega, vp and gm, Wrangler America, the company is changing over to recycled paper for all ticketing and to using biodegradable bags for shipping and distribution.

Rayon Dominates NAMSB Show

(Continued from page 6)

Though the aisles seemed busy, both manufacturers and retailers gave mixed reviews to the attendance. Many admitted the earlier January show was more popular, and that because of the New York locale, many smaller, local men's shops came while the big players stayed home.

Despite the seemingly smaller turnout and the higher-end price points associated with the NAMSB, some retailers made an appearance.

"We're always looking for new sources," said Dennis Sargent, dmm, Alexander's, though he found that much of the merchandise was similar to what he saw at the last show. This time around, Sargent noticed a growing trend toward natural fiber in addition to the continuation of the "wild rayon shirts."

Alexander's has been doing well in young men's with the shirts and with loose, baggy trousers, which Sargent called "Bobby Brown pants" after the singer that popularized them music videos.

"More of the same rayon print shirts and beachwear," was the way one buyer from California-based Ross Stores summed up the NAMSB Show. He reported that this was a "just looking" trip, for him as well, with much of the fall merchandise already allotted to Ross' 161 stores.

TSS Still Looking to Sell a Department Store

(Continued from page 6)

hold its final going-out-of-business sale. Goldstein is now hoping the going-out-of-business sale will commence by early August.

Currently, TSS is still operating as a discount department store at its 145,500-square-foot store in Melville.

Aside from Melville, Hempstead is the only other store awaiting final sale. The unit is being purchased by Breslin Realty, which agreed to acquire five Long Island stores from TSS. The sale should be finalized by the end of July, Goldstein said.

Breslin leased or sold four of the five TSS units it acquired to K mart Corp. Those units are located in Middle Island, Levittown, Sayville and Babylon. K mart spokeswoman Michelle DeLand said the stores will open as K mart discount stores this fall.

The fifth unit acquired by Breslin, a 240,000-square-foot store in Hempstead, was first reported to be leased by K mart but now Breslin is buying that unit, and another tenant, whose identity has not been disclosed, will occupy it.

TSS filed for Chapter 11 in December 1989 and sold most of its store leases at an auction last January. At the time of the bankruptcy filing, the chain had 14 stores.

Aside from the four units K mart will soon occupy and the unit Marshalls and Bed, Bath & Beyond will move into, Caldor acquired one site, in Middle Village, Queens, and The Home Depot, the Atlanta-based home improvement warehouse chain, bought the Elmont unit. Alexander's acquired one Bronx location. The remaining stores are being developed into various retail formats including flea markets.

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Vol. 29, No. 14 July 16, 1990

Melville Buys 330-Unit Circus World Chain for $95M

(Continued from page 1)

Bee had already targeted—and the potential for greater sales.

Robert Huth, Melville's cfo and executive vp, said that Kay-Bee will quickly install point-of-sale equipment in all Circus World stores. The chain is not equipped with POS and that has caused in-stock and merchandising problems, said Huth. The new system should be in place chainwide by the end of the first quarter of 1991.

For Greenman Brothers, the sale of Circus World provides the company with a large cash infusion and the opportunity to expand other areas of its business. The sale also marks the company's exit from the retail mall business but not from retailing.

Stanley Greenman, vice chairman of the board, chief executive officer and treasurer of Greenman Brothers, told *DSN* that Greenman Brothers would remain a toy wholesaler and retail operator of its five-unit Playworld toy store chain. Greenman Brothers also will continue operating its three leased toy departments.

Playworld stores are 15,000-square-foot freestanding units. Circus World, like Kay-Bee stores, are 3,500 square feet and are in malls.

Selling Circus World was "opportunistic" for Greenman Brothers, said Greenman. "Melville approached us and after analyzing the business, return on investment and other factors we decided we could not pass it up."

Greenman said the company was not looking to sell the chain prior to Melville's offer.

Buying Circus World was opportunistic for Kay-Bee as well, said Huth, noting the quick and cheaper process of acquisition rather than building from scratch.

The quick assumption of 330 new stores also gives Kay-Bee more time to plan its expansion into strip shopping centers, said Huth. Currently, Kay-Bee is in just a few strip centers.

Kay-Bee's Toy Works chain of freestanding toy stores will not be affected by the Circus World acquisition. Kay-Bee will continue to expand Toy Works, now with about 50 units, at the rate of 12 to 15 stores a year, said Huth. In 1991, however, Huth said Kay-Bee will probably slow its overall growth to permit it time to digest the acquisition.

Last year, Greenman Brothers—No. 5 on *DSN*'s Top Toy Specialty Chains list—reported sales in its retail division of $178 million, up 9 percent from $163 million in 1988. Operating profit was $5.5 million, up from $5 million the year before.

Kay-Bee, the No. 3 chain in the toy business last year, reported sales of $724 million, down 7.2 percent from $780 million in 1988. Operating profit was also down at Kay-Bee. In fact, the chain experienced a 13.9 percent store-for-store sales decline for the year. The decline in profit followed 10 years of increases and industry observers expect Kay-Bee to return to profitability this year.

SGMA Buyers Benefit From Shows' New Timing

(Continued from page 5)

ing Goods Manufacturers Association (SGMA), which was cranking up its own February production, the Super Show.

The 1991 NSGA show is set for July 22 to 25 and for the next three years will be held the first week of August.

The NSGA show got a boost last year when the SGMA merged its fall show, once held in New York, into the NSGA show. The SGMA Super Show, in Atlanta, is thriving, and both trade groups claim their shows are the world's largest sporting goods expo.

By most measures of vitality, World Sports Expo is also booming:

- It expects to draw as many as 90,000 attendees this year, compared to 83,722 in 1989;
- The vendor waiting list grew to 600 this year from 400;
- Nike is taking all 75,000 square feet of the upper mall of McCormick Place East;
- Wilson, Rawlings and Bike all have moved their exhibits to ballrooms, freeing 12,500 square feet for others;
- Net square footage of exhibit space increased to 520,000 from 424,500 in 1989.

Buyers can expect to find a continued surge in new licensed, cross-training and fitness equipment employing air resistance technology.

To accommodate the increase in licensing, the World Sports Expo has added a satellite pavilion on the Showcase level of McCormick East.

With sales softening in '90, buyers expect to find a lot of special buys and closeouts from over-stocked vendors.

"Shoe vendors are killing each other," said Joe Koricki, vp of Irving Sports Shops, Springfield, Va. "Shoes are all over the place."

With sales soft in all categories, "a lot of vendors are overstocked," Koricki said.

Since Irving's has kept a tight rein on inventory for its 19 stores, "we'll be in a position to buy," Koricki said.

Modell's Sporting Goods, New York, also will be seeking special buys and closeouts for its 32 stores, said Mitch Modell, coo. Modell's is especially interested in two categories that drive its business, hockey, football and college licensed goods and exercise, he noted. "Moving the show to July from October was an important step," Modell said. "We can now get our first look at next spring's footwear early on. By October, everything already was in place."

In footwear, look for L.A. Gear, No. 3 in size, to introduce its answer to Reebok's Pump, an inflatable sneaker it dubbed the Regulator. Another L.A. Gear introduction is expected to be a bounce-technology, catapult shoe to compete with Nike's Air shoes.

Other new products are:

- Splash Dunk, a moveable basketball system that features a 60-gallon water tank as an anchor, from Huffy Sports;
- Star Puck, an NHL-licensed hockey puck that features a color photo of various hockey stars, from Star Puck;
- Pump It Up line extension to cross training, running and tennis shoes, from Reebok;
- High Tech basketball that features a polyurethane coating that protects the leather from wear and tear on asphalt, from Wilson Sporting Goods;
- Ultima Classic Gold, a high-visibility, yellow volleyball for indoor play, from Spalding;
- Spotlyte, lightweight basketball, baseball and running shoes, from ASICS.

Golf, Skiing Apparel Gain

(Continued from page 5)

largest increases in 1990, both 10 percent.

Based on consumer purchases of 80,000 U.S. households, the study projected that golf apparel sales will rise to $1.6 billion from $1.46 billion in 1989. Skiing apparel sales are expected to reach $1.48 billion from $1.34 billion.

Swimming apparel sales represent the largest category, but sales are expected to be flat at $1.85 billion.

Apparel overall is expected to gain 6 percent in 1990 to $12.29 billion from $11.56 billion in 1989.

In athletic shoes, walking should enjoy the largest gain, a 15 percent increase to $1.42 billion from $1.24 billion.

The footwear category overall should increase 6 percent this year to $5.59 billion from $5.25 billion.

In equipment, golf should record the largest increase, rising 8 percent to $1.27 billion from $1.17 billion in 1989. Conversely, skateboards are expected to dive 20 percent more to $69 million from $86 million in 1988. That compares with $103.6 million in 1988.

Total equipment sales should gain 4 percent to $11.75 billion from $11.25 billion.

The survey also provides data on demographic and geographic sales breakdowns for each category, as well as brand market share and percentage distribution of purchases by price point.

Environmental Concerns Crop Up for 1990 L&G Show

(Continued from page 5)

The Andersons, Maumee, Ohio, will be looking for anything new in power equipment, particularly mulchers and shredders, said Jim Weaver, L&G merchandise manager. Mulching mowers took about 5 percent of walk-behind mower sales this spring for The Andersons, Weaver pointed out.

One example of a lower-priced mulcher is Aircap Industries' new Mastercut, 21-inch cut mulcher, powered by a 3.5 horsepower engine and priced to retail for $199.95.

Murray Ohio will introduce two push mulchers with 22-inch cuts. A 3.5 horsepower model will sell for about $200, with a 5 horsepower engine option adding about $20.

On the flip side, the popularity of mulchers caught fertilizer makers by surprise, Greenidge said. Because mulching returns nitrogen to lawns and helps condition soil, fertilizer sales will drop, he added.

In a study of composting that Mastercut is distributing, the University of Minnesota estimates that mulching would allow homeowners to skip one fertilizer application a year.

The entire area of organic, or environmentally safe, fertilizers and insecticides, will have a "significant impact in the '90s," Greenidge said.

Indeed, Safer, a leading producer of organic insecticides, has gotten so many buyout offers that it placed itself on the auction block last month in order to find out just how valuable the company is.

An environmental protection initiative measure on California's November ballot provides a "tangible indication of national sentiment," Greenidge said. It would ban almost every garden chemical made by one major manufacturer.

If it passes, discounters there would have to scramble to find alternatives, Greenidge said. And they might have to do more merchandising themselves to teach consumers how to use them.

Passage of the measure could give an instant boost to Nature's Choice, a line of organic lawn and garden fertilizers that Northrup/King is introducing, he said.

Made of composted chicken manure, Nature's Choice will retail for about twice as much as an equal amount of nutrients from chemical fertilizers.

In green goods, consumers continue to shift toward larger sizes, say a three-gallon shrub over a one-gallon and toward perennials from annuals. Perennials turn slower than annuals but they carry margins about twice as high, he said.

As for emerging trends, aquatic gardening, pond liners, pumps, plants and fish are hot in garden centers. Small, regional retailers that can move faster than the giants could do well in these areas, said another gardening consultant who asked to remain nameless. A 4-foot by 8-foot pond liner and pump sells for $200 to $300 and can run to $500.

Another trend discounters can jump on is small space garden accessories, such as terra cotta jars from Thailand, at $20 to $50. With fake-clay knockoffs selling in the $15 to $20 range, price points are feasible for discounters.

At Louisville, buyers from Gibson's Discount Centers, Dodge City, Kansas, will be looking at mulchers and organics, even though they haven't caught on in the agricultural heartland.

"Organic fertilizers (such as Nature's Choice) are years down the road," predicted buyer Clyde Sober. Gibson's, the chain name for Chaffin Inc., doesn't carry mulching mowers, Sober said. "We'll look at them this year," he said, but Gibson's will buy only one model, if any.

Expo '90 expects to draw 15,000 buyers and merchandise managers this year. Indoor exhibition space will total 270,000 square feet, while outdoor demonstration space will total 500,000 square feet.

After Drought, L&G Up 5 Percent

(Continued from page 5)

Helping to repair the damages of drought and unusually hot temperatures to their lawns, U.S. households spent an estimated $5.7 billion last year, a 6 percent increase from $5.3 billion in 1988.

Spending for insect control also set a record, increasing to $1.05 billion from $880 million in 1988 and ahead of the $979 billion for 1987.

On the downside, fewer households spent for shrub care, even though drought killed many shrubs, even mature ones. The number of households participating declined 12 percent to 27 million from 31 million in 1988. Even though per household spending rose to $53 from $43 the previous year, total spending dropped to $844 million from $853 million in 1988.

The National Gardening Association, Burlington, Vt., places an accuracy of plus or minus three percentage points on its survey based on a sampling of 2,000 U.S. households.

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Ames Nears Day of Reckoning

Pistner Reveals Rx for Ailing Discounter

By Pete Hisey

ROCKY HILL, Conn. — With the valuable spring selling season a total loss, Ames will probably live or die by its back-to-school performance.

The discounter, which became the largest Chapter 11 bankruptcy casualty in the industry's history this spring, cannot afford to lose another selling season, acknowledged newly named Ames ceo Stephen Pistner, in an exclusive interview with *DSN* last month.

Pistner has assembled what is perhaps the most high-profile, experienced management team in the industry (see story, page 62), with one purpose: "to take the patient that we got off the operating table, stem the worst of the bleeding, put the patient in the recovery room, and see how we are going to return this person to health."

***Ames' Stephen Pistner**: 'I want customers to walk out of the store and say, Ames is here to stay.'* (DSN photo)

That will be a challenge. Pistner noted that Ames was in "deep, deep trouble" and first quarter figures back him up. On sales of just under $1 billion, the company lost $464 million, largely due to clearance prices and restructuring costs.

While survival is first and foremost in his thinking, Pistner did allow himself a fleeting look back at the ill-fated Zayre acquisition.

"If I had been here and they gave it to me for free . . ." Pistner left the thought unfinished, but the meaning was clear. He wouldn't have touched it.

Keeping the stores in stock will be the key to a successful back-to-school season.

According to Pistner, no merchandising changes have been made. That will come later, he said. "Don't get smart, don't get cute, don't get fancy," Pistner said. "I want customers to walk out of the store and say, 'Ames is here to stay.' "

At the same time, Pistner is determined that key suppliers

(Continued on page 62)

Herb Gilman of Ames Dead at 65

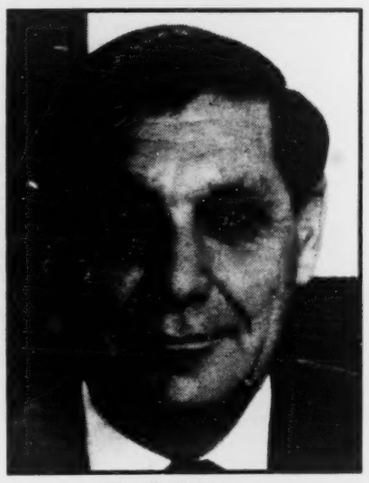
WEST HARTFORD, Conn. — Herbert Gilman, 65, former chairman and co-founder of Ames Department Stores, died on July 12 after a long bout with cancer.

One of the pioneers of discount retailing, Gilman was elected to *DSN*'s Discounting Hall of Fame in 1989. Four years earlier, he was named Discounter of the Year by *DSN* readers.

Gilman was born in 1925 in Hartford, and attended the University of Connecticut and Yale University. Trained as an engineer, he worked briefly for the forerunner of Sperry Rand. However, he soon joined his two brothers, Irving and Milton, in the emerging discount store business, working first as hard lines buyer.

Gilman joined Ames shortly before the chain opened its second store which was in St. Johnsbury, Vt., in 1958.

The first Ames store was already established, in an abandoned textile mill in Southbridge, Mass., and stocked inexpensive apparel and kitchen goods. With the addition of hard lines, Ames was on its way.



Herb Gilman

In a 1988 interview, Gilman said that the major reason for the longevity of Ames was its conservatism. "We never forgot the original concept," he said. That concept, which he noted was "so simple," was to cut costs to the bone and sell quality goods at about 35 percent below comparable department store goods.

Gilman was always careful to choose small rural markets that would draw from outlying areas that offered little or no competition to his stores.

But after Gilman ceded active control of Ames to his hand-picked successor, Peter Hollis, Ames evidently did forget that simple formula for success. In late 1988, over Gilman's objections (he later resigned from the board and director John Geisse, an ally of Gilman, decided not to run for re-election), Hollis and Ames chairman James Harmon spearheaded the purchase of the troubled Zayre discount stores for $800 million. Those stores were primarily urban in nature and tottering on the edge of bankruptcy.

Less than two years later, those stores pulled the previously healthy Ames into bankruptcy. Gilman, who had suffered through a difficult acquisition of G.C. Murphy shortly before his retirement, was irate, but kept his counsel, commenting publicly only once.

That was consistent with his nature, which was generally gracious and retiring. He worked primarily behind the scenes, and by the time he retired, Gilman had built one of the largest discount chains in the country.

"I've known and admired

(Continued on page 62)

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Brand Switching Lifts Paint Sales
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Target Wins DISC Award

***DSN Editor Tony Lisanti** (center) presents Target chairman Robert Ulrich and director of community affairs Susan Anderson with the 1990 DISC (Discounters in Service to the Community) Award. It was presented during a special luncheon on July 19 at the Marriott Hotel in Minneapolis. DSN has sponsored DISC since 1978. It was the second time Target has received the award.* (DSN photo)

D-H Goal for Target: 300 New Stores by '95

MINNEAPOLIS — Target will open 300 new stores over the next five years, mainly in California, the Pacific Northwest, Michigan, Florida and the Southeast, and Ohio and Illinois.

Any expansion into the Northeast to become a national chain will come only after the completion of the five-year plan that will see store count grow by 75 percent to more than 700 from 407.

Word about the 300 new stores came from Dayton Hudson chairman Kenneth A. Macke during a presentation in Chicago for institutional investors.

The aggressive five-year expansion plan follows two years of similar store growth. Target opened 60 new stores during 1989 and plans to open 29 new units this

(Continued on page 62)

MARKETWATCH

Price Eyes Price Club Canada Takeover

SAN DIEGO — The Price Co. plans to acquire complete control of Price Club Canada by buying Corporation D'Acquisition Scoanav-Caisse's 50 percent share for $57.5 million. Scoanav is seeking funds to help offset its $1.1 billion acquisition of Steinberg, the Canadian retailer that together with Price Co. founded Price Club Canada in 1985. The Canadian club has six units, with two more due this fall. Price Co. reported a $1.3 million loss last year on its Price Club Canada holdings.

Smitty's Gets $50 Million Infusion

MONTREAL — Corporation D'Acquisition Scoanav-Caisse has halted efforts to sell Smitty's. Instead, Scoanav will provide $20 million in capital and $30 million in development funds over the next three to five years to update and expand the 24-unit Arizona food/general merchandise combo chain, including opening two units in San Diego. Smitty's had been on the block following Scoanav's $1.1 billion purchase of Steinberg, Smitty's Canadian parent.

Price Saver Opening Four Clubs

SALT LAKE CITY — Price Saver has opened a wholesale club in Murray, Utah, as its fourth unit in the Greater Salt Lake City market. The chain will reach the 18-store mark when its opens stores this fall in San Diego and Phoenix, the latter the fourth in that Arizona market following the unveiling of a unit earlier this year in West Phoenix. Next year, it plans to open five stores, including units in City of Vista and Sacramento, Calif.

Venture, Going Public, Opens New Units

O'FALLON, Mo. — Venture boosted its Chicago presence to 28 stores by opening units in Bradley and Crestwood, Ill. Venture will reach the 79-store count this fall by opening a unit in Dubuque, Iowa, to finish this year's four-store expansion plan. Venture now is expected to go public sometime in early August, instead of by the end of July. May Department Store Co. is offering a 14 percent, or 2.3 million share, stake in Venture at an expected price of $16 to $18 a share. May then will spin off the balance of shares to May stockholders. Venture will use the $35 million net proceeds to pay down short-term debt and improve its balance sheet. Venture will have to borrow $305 million to pay to May as its price of independence, starting life on its own heavily leveraged.

Canadian Superstore Chain Eyes 8 Units

RICHMOND, British Columbia — Great Canadian Office Supplies Warehouse plans to open units in Victoria, B.C., and Calgary, Alberta, this September—its fourth and fifth superstores–as it strives to reach its goal of running at least eight stores this year. The company, a sister firm to Long Beach, Calif.-based HQ Office Supply, already has units in Vancouver, B.C. (two), and Edmonton, Alberta.

Licensing Group Cites Target

NEW YORK — Target was named Retailer of the Year by the International Licensing Industry Merchandisers' Association. The discounter was recognized for its overall participation in licensing programs.

Philadelphia Club Count Doubling

PHILADELPHIA — The wholesale club count in this market will double by next summer as Pace Membership Warehouse, already in Hatboro, Pa., has just opened its second area store in Langehorn, Pa., with a third set to open in Deptford, N.J., on Aug. 16. The Price Club will enter the market this fall with a unit in Maple Shade, N.J., and in Philadelphia next summer. BJ's Wholesale Club is already in these two areas. Sam's Wholesale Club, now in Delran, N.J., is due to open in Philadelphia this fall.

Walton Named America's Richest Family

NEW YORK — The family of Sam Walton, founder of Wal-Mart, is the wealthiest family in America, according to *Forbes* Magazine's annual ranking. Thanks to a resurgence in the stock market, the Walton family wealth, mostly in the form of Wal-Mart stock, shot to $13.3 billion from $8.7 billion in 1989. The second wealthiest America family is the duPonts with a net worth of $10 billion. The world's wealthiest are two Japanese, Yoshiaki Tsutsumi ($16 billion) and Taikichiro Mori ($14.5 billion).

Nusim Switches Channels

Abandons Warehouse Club Idea for Home Center Chain

WHIPPANY, N.J. — Joe Nusim will not open the warehouse club chain he planned to debut next year. Instead, the former president of Makro wholesale clubs has accepted the post of president and chief executive officer of Channel Home Centers, based here.

Nusim said his plans to open a metropolitan New York-based warehouse club chain, called Metro Warehouse, had to be "shelved" due to a lack of proper financing.

Joe Nusim

"Due to the times and the problems of retailing today, it is difficult to raise money in the private sector," said Nusim, adding that his plans to open Metro "were a year too late."

Instead, Nusim became president and ceo of the 88-unit Channel Home Center chain last month, serving with former Zayre Stores executive Malcolm Sherman, who was promoted from chief executive officer to Channel's chairman.

Sherman replaced president and chairman Leon Berger, who resigned.

Nusim declined to say whether he would be bringing any former Makro executives with him to Channel. He also would not discuss the chain of events that led to his joining the home center chain.

Nusim said that he chose Channel from a variety of other opportunities that included positions in the supermarket, discount store and warehouse club business.

In joining Channel, Nusim will be working with a chain that has had its own history of hard times in recent years.

(Continued on page 61)

Chains Plan MasterCard Discounts

NEW YORK — K mart, Toys "R" Us and Montgomery Ward are among the six retailers that are joining forces with MasterCard to offer discounts on merchandise over the Christmas holidays to cardholders.

Called MasterValues, the Christmas promotion offers discounts at more than 5,000 retail outlets on a wide range of merchandise, including Mattel toys.

Shoppers at the stores will receive the promotional discounts at checkout as long as they buy merchandise on their MasterCards and present either coupons available in the store or received along with their monthly bills.

At K mart, customers will be offered undisclosed discounts on dozens of Mattel toys through coupons available in the store starting Sept. 30 and are good through Dec. 31. The coupons will be available at TRU stores starting Nov. 4 and also are valid through Dec. 31.

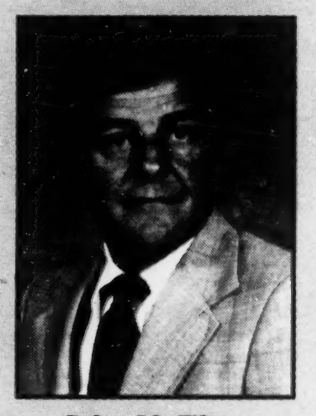
Coupon books will be available Oct. 15 at Montgomery Ward and will be good from Nov. 1 through the end of the year. Discounts on thousands of items will include as much as 50 percent off on jewelry and furniture.

Casual Corner, Sam Goody and B. Dalton Bookseller

(Continued on page 61)

Cincotta Leaves Rose's; McElroy Assumes New Post

HENDERSON, N.C. — Add Anthony Cincotta to the list of top Rose's Stores executives who have left the company since the start of the year.



John McElroy

Cincotta resigned from the top merchandising post with the 259-unit Southeastern regional discount chain to join Grossman's, a home center chain based in Braintree, Mass. John McElroy was promoted to senior vice president and chief merchandise officer, replacing Cincotta. McElroy had been vice president of sales of marketing at Rose's for the past six years.

Earlier this year Rose's lost company president Jack Bush to Ames. Other resignations included Harold Compton, formerly senior vice president, operations and several members of the merchandising staff.

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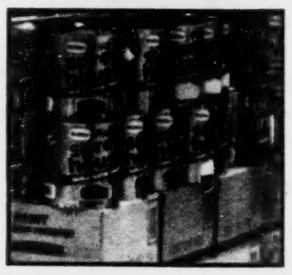

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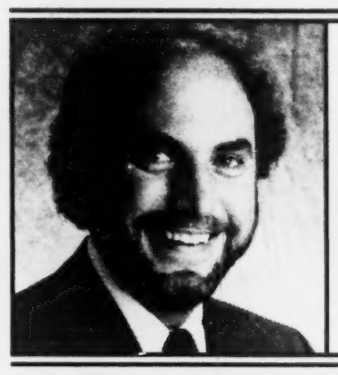
EDITORIAL

Can Dr. Pistner Restore Ames' Health?

He's brash. He's bold. He's outspoken. He's impudent. He's a perfect target for a variety of adjectives and superlatives. He's the doctor that supposedly has the cure for an ailing retailer.

He is Stephen Pistner. The patient is Ames Department Stores. And he doesn't care what you call him or what you think about him. He cares about one thing and one thing only: save Ames; save about 30,000 jobs. (See story, page 1).



TONY LISANTI
Editor

I had been to Ames headquarters in Rocky Hill, Conn., a few years ago, but it was "a kinder, gentler time." This visit was obviously different. As Doug Ewing, vice president of investor relations, escorted senior editor Pete Hisey and me to Dr. Pistner's office (it kind of has a nice ring to it), I wondered what he would disclose about his diagnosis since he first examined the patient about three months ago.

"Deep trouble," the doctor said, as we entered his office. "Deep trouble. We are literally restarting the business. The first step is to get the patient out of the recovery room. This means get the merchandise back into the stores and get the customers back in to buy.

"I've been through this five times. The basic truths about retailing never change," the doctor added. "I have no magic, but I do know what the consumer wants."

A simple philosophy, but a monumental task. Consider these factors: A weak economy throughout the Northeast, traditionally Ames' stronghold; a confused customer base; inconsistent support among major suppliers; inconsistent availability of merchandise at store level; poor first quarter results; lack of execution from headquarters to store level.

Furthermore, Ames had its own problems prior to Zayre, an acquisition the doctor admits he would not have made. He diagnosed Ames as a slow and stodgy chain burdened with antiquated systems and operations.

Dr. Pistner said there really is no story now—other than saving the business. He refuses to discuss what sent Ames to the emergency room in the first place, but believes the patient has the potential for a healthy future.

The back-to-school season is the first critical test to see if Ames has begun to respond to its treatments.

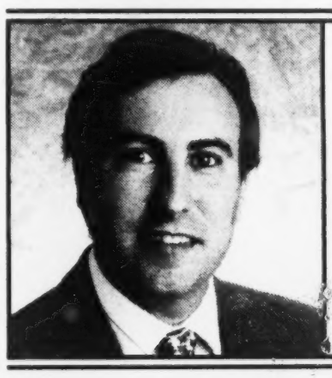
I have a feeling we'll be consulting Dr. Pistner on a regular basis. Stay tuned for a report on our next visit.

BUYERS & SELLERS

A Trio Deserving of Our Highest Recognition

The National, the new nationwide sports daily, runs a cute feature that's a real brain-teaser for trivia buffs. Called "Three of a Kind," it lumps together three seemingly unrelated personalities and asks the reader to identify the often obscure connection between them.

If *DSN* were to run a similar "Three of a Kind" it might try: Haim Dabah, Bob Ulrich and Ben Fauber. The easy part is that all three are associated with the discount industry. Dabah is president of Gitano, the seemingly omnipresent apparel maker. Ulrich is chairman of Target, the most successful upscale discounter in the nation. Fauber is former chairman of K mart, a company that has been synonymous with discount retailing for the past 28 years.



DON LONGO
Exec Editor

But, the real connection that makes Dabah, Ulrich and Fauber "Three of a Kind" is that they will be honored at this month's SPARC (Supplier Performance Awards by Retail Category) banquet. Dabah's firm was voted Vendor of the Year by merchandising execs. Ulrich was elected Discounter of the Year by readers of *DSN*. Fauber will be inducted into *DSN's* Discounting Hall of Fame.

With the exception of the IMRA convention, no other event brings together both retailers and vendors in such a constructive spirit of partnership and respect. At my first SPARC dinner, Procter & Gamble's John Pepper, the first Vendor of the Year, explained his P&G's shift from a relationship that was best described as "antagonistic" and "arrogant" to one of "trust . . . a dedication to learn, and building a strong foundation in our relationships with the retailers."

A year later, K mart chairman Joe Antonini—Fauber's successor—drew a standing ovation from the large SPARC crowd as he pledged to create an openness at K mart to work with its vendors in ways that would help both.

The success of this year's award winners is tied even more closely than usual to their progressive views on retailer/vendor relations.

Dabah brought the shop-within-a-store concept to discounting with the opening of Gitano shops in several mass merchandise outlets. Ulrich's Target has achieved its lofty perch among discounters largely on the basis of its ability to differentiate itself from its competitors through exclusive merchandising arrangements. Both have pledged to forge even stronger ties in the future. With such forward-thinking honorees, this year's banquet, Sunday, Aug. 12, at the Chicago Marriott Downtown, promises to be the best yet!

WASHINGTON REPORT

RPM Supporters 'Help' Eastern Bloc Nations

The Bush administration has made a commitment to help Eastern Europe undertake the difficult and painful conversion from Communism to an open and competitive free market economy.

The idea is fine. The problem is with the Bush administration officials entrusted with the assignment.

KEN RANKIN

Earlier this summer our two top antitrusters — Federal Trade Commission chairwoman Janet Steiger and Justice Department Antitrust Division director James Rill—visited Poland, Hungary and Czechoslovakia to confer with officials there on "competition law."

As Steiger put it, "we have a special responsibility" to the governments of Eastern and Central Europe—an obligation to assist "in the birth of new competitive markets that will soon join the global trading system."

Trouble is, if the Eastern bloc mimics the consumer-bedamned breed of "competition" espoused by Steiger, Rill and their ilk, the people in those countries might conclude they were better off in the old days.

For example, Assistant Attorney General Rill earlier this year urged Congress to reject legislation designed to protect retailers from anti-competitive resale price maintenance conspiracies.

As he put it, such protections are unnecessary because "discounters are thriving under current laws."

Chairwoman Steiger is even more myopic in her view of free competition. She contends that, even though RPM has been repeatedly declared illegal by Congress and the courts, "resale price maintenance can often serve procompetitive purposes."

If the Eastern bloc follows the advice of Rill and Steiger and restricts the consumer's right of choice in the marketplace, will we really be able to call that free enterprise?

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Discount Store News®

VIDEO SELL-THROUGH

As video chain stores grow in size and numbers, they pose the biggest challenge to mass merchandisers who must keep their shelves well-stocked with as broad and deep a selection as possible

By Frank M. Viollis
Special to DSN

LAS VEGAS, Nev. — As a nation, Americans have taken to retreating into the inexpensive, available and always reliable world of their home video libraries. And, why not? Prerecorded videocassettes offer a great way to relax, to learn, to explore, or to reminisce. In a way, they're a very real solution to the stresses and anxieties of the last decade of the 20th century.

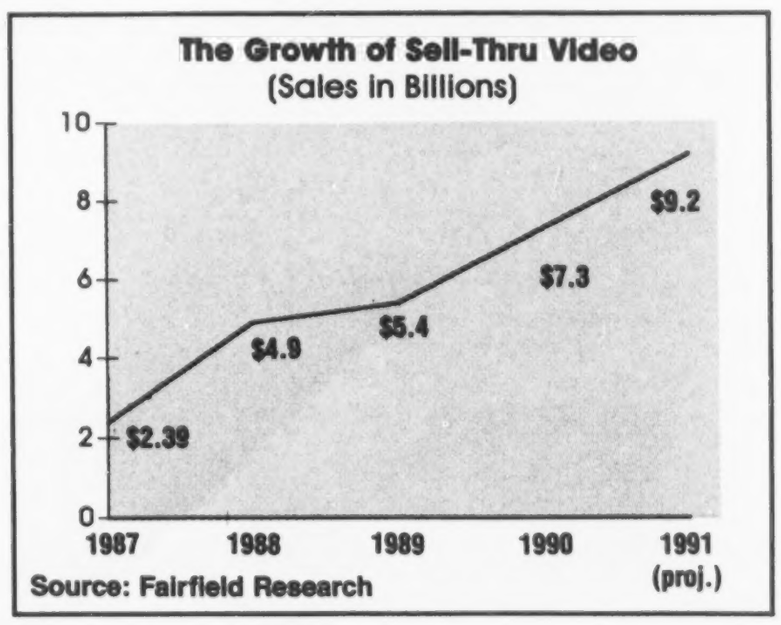
Here, amidst the glitter of America's playground, more than 14,000 members of the Video Software Dealers Associations (VSDA) are expected to gather from Aug. 5 to 6 for what should prove to be the largest convention in the association's history. They will discuss the various trends, issues, and problems affecting them, and the rapidly changing world of their multi-billion dollar industry.

Not without some consideration has the industry's ninth annual meeting been dubbed: "Navigating the Nineties."

"One of our major drives [at the convention] will be to encourage independent retailers to think more aggressively in a market that's becoming more and more competitive each day," stated Dana Kornbluth, director of public relations for the VSDA.

She's right. Statistics show that the independent, stand-alone specialty video store is vanishing. In 1988, they accounted for 65 percent of all such outlets. That's excluding discount department stores, as researchers counted only those outlets that derive more than half of their income from the sale, or rental, of videocassettes. In 1989, the independent operation represented only 41 percent of the total. That's a decline of 24 percentage points in just one year. So who's picking up the slack?

Discount department stores have capitalized on the boom in sell-through video. With most handling the department through jobbers like they do prerecorded music tapes and CDs or books and magazines, mass merchants have not only garnered the largest share of the sell-through video market, they are likely to experience 30 percent to 50 percent sales gains in this category over the next 12 months.



Sell-through video is so hot at discount chains that many are reluctant to talk too much about their success.

The nation's largest discount chain, K mart, devotes an entire wall of its consumer electronics department to prerecorded videocassettes in its Oak Park, Mich., store. The store, which is the prototype for all new K marts, also cross-merchandises music video with audio tapes, sports how-to videos in the sporting goods department and children's video in the toy department. Hot titles are offered at checkouts and on endcaps, while promotional titles selling for under $4 are merchandised on four-sided fixtures within a main traffic aisle.

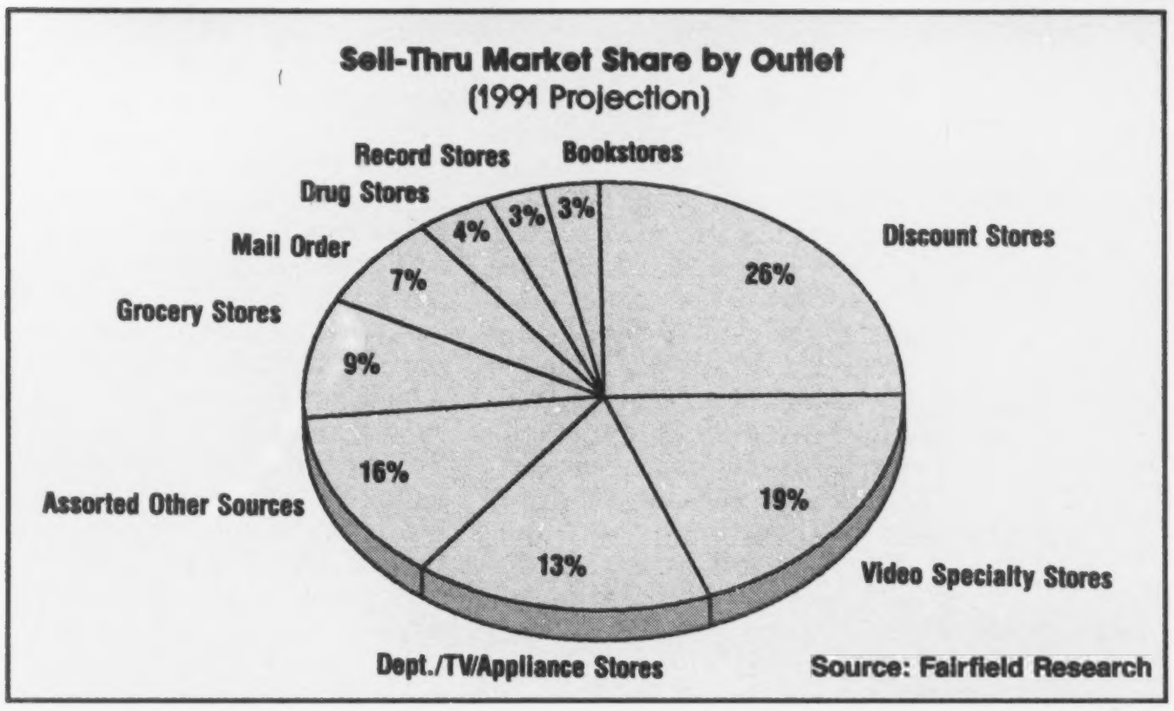
Similarly, Jamesway, the Secaucus, N.J.-based regional discount chain, recently began testing videotapes throughout its stores in related merchandise categories.

"The 'out posting' of 'specialty interest' videos [such as 'how-to', travel, or

(Continued on page 35)

VIDEO SELL-THROUGH

Video Sell-Thru Market Records Big Gains



(Continued from page 31)

children's items] throughout the discount department store is the real future for sell-through video," said Harold Weitzberg, director of sales for Wood Knapp Video.

"Price," continued Weitzberg, "is not the proper way to measure sell-through effectiveness. It's availability that sells. Special interest is not a 'presold' item, like 'hit' movies. They have to be marketed in such a way as to really tap into the consumer's desire; but, once you do, you've got a consumer who is driven by interest, not price."

A K mart spokesman said that prerecorded videocassettes are profitable but would not elaborate further. K mart utilizes a rack jobber, Handleman Co., which is headquartered in Troy, Mich., to set up and service its video department.

Wal-Mart, the nation's second-largest discount chain, also utilizes Handleman as a rack jobber. Some people question the future of that relationship in light of Wal-Mart's acquisition of Western Merchandisers, a retailer and distributor of prerecorded music, video and books. Under the reported terms of the deal, Western will spin off its retail book, music and video operations into a new company called Hastings, while its rack jobbing, warehouse and one-stop wholesaling operations will become a unit of Wal-Mart.

Target, the third-largest discount chain, got into prerecorded video sales early. "It's a significant business and growing," said Robert Guelich, senior vice president and general merchandise manager. "However, it's a very trendy business. You have to have the titles the day they're released."

Guelich and other executives agreed that with declining price points—in the $3.99 to $14.99 range—discount chains are seeing tremendous unit growth. The key titles sell in the $20 to $25 range, they pointed out.

If anyone is going to challenge mass merchants for the video sell-through business, it's not going to be the independent video store operator. More likely, the challenge will come from the video chain store (with anywhere from two to more than 20 outlets). This new major player in the rental/sales arena could do for the video business what category killers like Toys "R" Us and Circuit City have done in the toys and electronics industries, respectively.

***Auchan, Houston,** uses four-sided fixtures to display its assortment of how-to and exercise videotapes.* (DSN photo)

As video specialty chain stores grow in size and number, (Blockbuster Video is said to be expanding, nationally, by as many as one store a week), so too does their buying power. That, coupled with their ability to stock ever-greater quantities for longer periods of time, will eventually affect not only the video rental market, but sales as well. In order to hold on to as well as expand market share, discounters will have to consider this.

"We see a very real need to keep our [mass merchandiser] clients well-stocked with as broad, and as deep, a selection of titles as possible," said Philip Singer, vice president, Marketing, Arrow Distributing Co. Arrow recently helped Fisher's Big Wheel, the New Castle, Pa.-based regional discounter, take its first steps toward managing and maintaining its own video sell-through department.

"With competition from the video stores, this [a broad selection] is really important. We want our client's customers to get what they're looking for, when they want it," added Singer.

Whether using a rack jobber, or not, the message is the same: carry more, sell more.

Having a wide and varied selection is of course, not the only factor necessary in maintaining a profitable profile in this marketplace.

Do you currently market such "special interest" items in one central audio/video department? Do you maximize your video profile by marketing them directly to the groups they were designed to attract? Or, are you marketing them in the way that will generate the highest possible return for your product-purchase dollar?

Tanya Steele, director of public relations for Disney's Buena Vista Home Video, contends that, "many mass merchants fail to recognize the built-in profitability of the repeat [video] customer. Our [Disney] market research has shown that children are collectors. That's why we offer many of our home video products in series format. [Like 'Mickey's Magical World' which year in and year out sells hundreds of thousands of copies.]"

"One of the points we hope to make to the mass merchants who visit our booth at the convention is that the consumer must be made aware of what's out there, and, that once that's done, be sure to carry enough of the specialty titles to meet their continuing demand," said Steele.

She added that at the convention, Buena Vista will be emphasizing its new $9.99 "acquired product" line under the Buena Vista title; disclosing the addition of 61 more titles, at $12.99 each, to its Disney line; and, highlighting the first-time releases of several feature films on the Touchstone label.

"We believe that both the mass merchants and the specialty video retailers have an important role in the world of home video rentals and sales," stated David Bishop, vice president of sales, MGM/UA. "The mass merchants were the pioneers in sell-through, just the way the video retailers were with rentals. We want to see only the best for both."

Knowing that, and how, the competition thinks, and plans, is a valuable tool in any discounter's marketing strategy.

Retailers Express Concerns

Nationwide DSN Report

The market is growing. The product line is expanding. The competition to discount stores is retreating. Sounds too good to be true? It is.

Nothing is perfect in this world, and sell-through video sales are no exception.

For one thing, price is still a factor well within the control of the studios. From price stems the retailer's margin. Most keenly affected by this are bookstore distributors. As a rule, they are accustomed to between a 40 percent and 50 percent margin. The best they can hope for is 30 percent (maybe 35 percent if they work directly through the producer as with Simon & Schuster/Prentice Hall's deal to retail over 200 Paramount titles—via catalog at first).

Obviously, profit margin is of major concern to everyone, not just the book market. As a matter of fact, even the specialty stores are feeling the need to expand this margin, and are pressing the producers for some serious price considerations.

Another factor is the problem of "returns." Not all titles sell, and no one wants to get stuck with slow-selling inventory. Here too, book distributors have a real problem, as they are used to a full return agreement with their publishers. True, bookstores are somewhat unique in this regard, but, that doesn't rule out the fact that discounters too don't want to commit valuable retail space to products that don't move (and many titles don't). Of course, the use of rack jobbers, who assume full risk on the tapes they sell, might reduce some worries in this area.

A third factor is who gets the competitive edge. A hot new title is scheduled for release. Studio advertising broadcasts the news. Pay-per-view and the airlines have shown it. Now it's time for the street. A hungry market awaits. Whoever can offer the product first, can ride high on the crest of the sales wave. In a marketplace where revenue dollars are measured in the billions, a two or three week pre-sell-through window could mean millions in sales.

Of course, the discount store operator will still have to contend with a number of sticky issues, such as:

- How to allocate the valuable retail square footage for display racks;
- Choosing whether or not to market the videos by special interest groups throughout your stores, or display them in one central area;
- Considering the ever-pressing issues of stock depth and breadth. Studies show that one of the prime consumer complaints about discount store video sell-through sales is that of too shallow an inventory;
- Dealing with the pressures of the specialty shop next door.

The retailer who copes successfully with these factors will gain a greater share of a dynamic new market.

VIDEO SELL-THROUGH

Retailers Give Play to Prerecorded Videos

By Frank M. Viollis
Special to DSN

The roar of the engines had faded into the cloud-heavy North African sky. The tarmac glistened. The echo of their footsteps floated above their heads. The future beckoned. A "beautiful friendship" was born. Who can forget such moments of movie magic? Who would want to?

Certainly not the growing number of Americans who spend billions of dollars each year (1989 estimate for "sell-through" video market sales was $5.4 billion) on prerecorded videocassettes. For them, the videocassette recorder (VCR) is a passport to better times and places, while the videocassette itself is a memory-rich rose pressed between electronically encoded pages.

These are the individuals who comprise the target market for the rapidly developing world of "sell-through" video sales—a growing market from which discount department stores are grabbing a substantial, and increasing, share of total dollars.

Based upon estimates developed by Fairfield Research, Lincoln, Neb., 66 million households in the United States currently have at least one VCR (more than a quarter of them have two, or more). That's 14.4 million more than just two years ago. Fairfield's projections indicate that by the end of next year, that number will climb by another 5 percent to nearly 70 million households.

Assuming the typical American household will consist of 2.6 people, we're talking about a guaranteed market of 182 million people for prerecorded videocassettes. And, that's not taking into consideration all those non-VCR owners who decide to purchase prerecorded videos as gifts for others.

That's 182 million consumers with a proven appetite.

For many years, this viewer market was almost the exclusive property of the specialty video store. Video prices were high (averaging $89 list, and $65 wholesale); while, rental prices were low (averaging $2 per night). They provided a cost-effective service to a hungry public.

During this Golden Age, the number of specialty home video stores swelled from 5,500 stores nationwide in 1981, to 27,000 in 1987. In 1987 alone their combined revenues were $5.5 billion in rental income (out of a total $7.4 billion), while their sales revenues hit $1.08 billion (out of $2.39 billion). Their world was good; but, nothing lasts forever.

Movie studios soon came to realize that the home video market was not a passing fad. In fact, 1982 videotape sales accounted for more of the studios' total revenues than did theatre ticket sales. This trend has continued since then, unimpaired. In 1989, videotape sales provided the studios with total revenues of $3.2 billion, 50 percent more than they realized from their box office receipts.

Obviously, in the beginning, the specialty video stores were responsible for the bulk of those sales. However, the studios were quick to realize the enormous potential of the sell-through concept, particularly through discount and mass merchandising stores.

"Sell-through" is a mass merchandising concept by which prerecorded videocassettes are offered directly to the consumer at a reasonably inexpensive price. In just a few years, the retail price of a typical video has plunged from about $89 to $29, with many selling at promotional price points in the $12.99 to $14.99 range.

Prerecorded videocassettes are offered to the consumer through a variety of channels. Discount, department, record, drug, grocery, and convenience stores have all been enlisted to expand the perimeters of the point-of-purchase arena. No longer is it the sole dominion of the specialty store, though these outlets still represent 32 percent of sell-through market sales.

The video specialty stores are still the acknowledged kings of the rental forests with only grocery store outlets offering any kind of competition at all.

However, sell-through video just exploded when discounters and mass merchants jumped on the bandwagon.

In 1987, while still in its infancy, sell-through revenues were over $2 billion. Within a year, this number jumped to nearly $5 billion. Conservative estimates for 1991 take sell-through revenues to over $9 billion, even though the average price per sell-through title has dropped from $26 in 1987 to $18.50 in 1989.

"More titles are going sell-through, every year," commented Ted Lannen, president, Fairfield Research. "Many studios come to us to conduct market research for them," he added. "They test 'price elasticity', by title, to find out what will sell, and, at what price."

(Continued on page 38)

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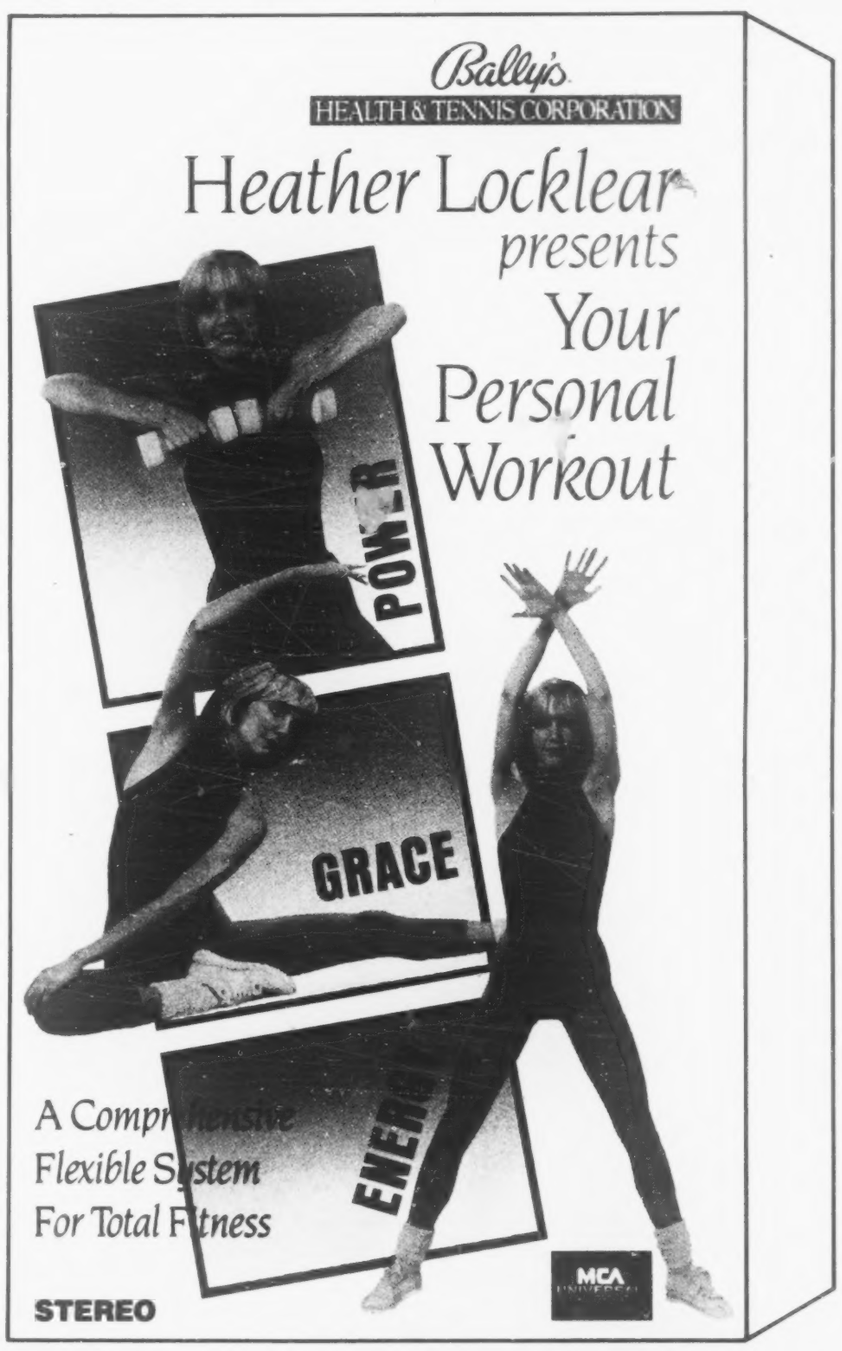

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MCA UNIVERSAL

VIDEO SELL-THROUGH

Prerecorded Video: More Americans Play It Again

(Continued from page 36)

Quite simply, the studio's are using the Law of Large Numbers, to their own advantage. They can either sell several hundred thousand copies of a title to the specialty stores, at a higher price (and let it live out its days in the static growth world of movie rentals), or several million copies, vis-a-vis sell-through facilities, at a lower price.

At low, discount prices, the prerecorded videocassette has rapidly become an impulse purchase item. Point-of-purchase advertising tools, and display racks are now common sights in thousands of discount stores across the nation. Sell-through merchandising is in full swing.

True, "hit" movies (with action/adventure films claiming the lion's share) are the No. 1 seller, accounting for 56 percent, or $3 billion, of all sell-through revenues, for 1989.

However, "special interest" features cannot be overlooked. This somewhat diverse group consists of such viewing categories as: children/family (many "hit" movies may fall into this category, such as the Disney classic "Cinderella," but are, for statistical purposes, considered part of this group, and not the movie genre) which claimed 28 percent ($1.5 billion); music, how-to/exercise, the documentaries jointly accounted for 11 percent ($735 million); with adult/X-rated, sports, etc. features rounding out the purchase profile.

The video specialty stores are still the acknowledged kings of the rental forests, with 76 percent, 1990 projections show 81 percent control of the video market in their collective pocket. Of all other channels, only the grocery store outlets offer any competition in this area. They continue to maintain about a 10 percent share of this market. No other type of retailer even comes close in the rental area. Among full-line discounters, only Meijer, Grand Rapids, Mich., comes to mind as a chain that has been successful in the rental arena. In fact, Rose's, the Henderson, N.C.-based discounter, discontinued a test of movie rentals in a Wake Forest, N.C., store last year.

The story is quite different in sell-through.

The once commanding lead of the video specialty stores (45 percent of the market in 1987) dwindled to 32 percent by the end of last year, and is expected tc sink to 25 percent by the end of this year. Conversely, discount and department stores jointly accounted for 32 percent of the sell-through market at tne end of 1989 (up from 28 percent in 1987), and are expected to reach 36 percent by year's end. Grocery stores showed a modest growth profile, going from 1 percent (1987) to 5 percent (1989) in the past two years. Record, book, drug and convenience stores continue to account for anywhere from 2 percent to 7 percent of the market's total sales.

Real dollars tell an even more dramatic tale. Out of the $5.4 billion in actual revenues from sell-through video sales in 1989, discount and department stores jointly realized $1.77 billion; record stores saw $215 million; bookstores developed $107 million; grocery stores earned $322 million; drug stores were responsible for $268 million; and convenience stores finished out the year with $54 million.

The Sell-Thru Profile

	1987	1988	1989
% of VCR households buying prerecorded videocassettes	29%	56%	58%
Avg. number tapes bought per buying household	6.6	7.0	6.4
Avg. price paid for new tape	$26.13	$22.75	$18.57
Total number of tapes bought	98.2 mil.	228 mil.	313.7 mil.

Source: Fairfield Research

Short Takes: This Year's Hottest Sell-Thru Titles

Nationwide DSN Report

The sell-through market in home video is exploding, and producers are scrambling to find the most effective price point that will stimulate both rentals and sales.

At the same time, several have taken steps to discourage retailers from footballing hit titles to draw Christmas traffic.

Both "Teenage Mutant Ninja Turtles" and "All Dogs Go to Heaven" carry suggested minimum list prices, and retailers who sell below that price will not be able to collect co-op advertising dollars from the producers.

As has become usual, virtually every sell-through release features a rebate or a tie-in, placing most videos well under $20 in final cost to the consumer.

The original "Peter Pan" is coming to television screens everywhere this fall, at a new Disney price point of $24.99. A tie-in with Nabisco Biscuit Co. will add a $5 mail-in refund, lowering the effective price to $19.99 through Jan. 31.

Disney and Nabisco will sponsor an extensive TV and print advertising account to publicize the $5 rebate, including a freestanding Sunday insert in November.

"Elvis: The Great Performances" will be released Aug. 17 by Buena Vista Home Video. A two-volume set, Elvis was produced for home video only, and will carry a list of $19.99 per each tape. It will be accompanied by a compact disc and cassette release of the soundtrack, which features 27 of Elvis' hits and the most controversial Elvis recording ever: the two standards he cut at the record store/recording studio owned by Sam Phillips which led directly to Elvis' meteoric rise to stardom.

Some experts contend that the voice on the recording is not Elvis', but the controversy is sure to stimulate sales of both the video and the soundtrack. The video also includes footage from Elvis' original screen test, clips of early concerts, home movies and more.

MGM/UA Home Video will release the popular animated movie "All Dogs Go to Heaven" in late August, with an ultra-low $17.50 the minimum suggested selling price. Dealers who maintain that price will be eligible for co-op advertising fees.

The video will be shipped in a four-color merchandiser that will allow dealers to set their own price points or to use enclosed materials to promote a "hard sell" price of $19.98 after rebate. "All Dogs Go to Heaven" will have a street date of Aug. 29, and MGM will tie-in with Downy fabric softener to create a $21 million ad campaign.

Live Home Entertainment, a children's subsidiary of Live Home Video, may have the video hit of the fourth quarter, and it's pulling out the stops to promote "Teenage Mutant Ninja Turtles: The Movie." The video will be released Oct 4 at a suggested list price of $24.98. The company will spend $20 million to promote the video, including a joint venture with Pizza Hut that will include $20 worth of Pizza Hut coupons with each tape purchased.

A minimum advertised price point of $18.88 has been established for the video, with co-op advertising available to only dealers who maintain the price for the initial 30 days of release.

MGM/UA is releasing a series of hit movies, including "Runaway Train" with Eric Roberts and Jon Voigt and "Death Wish 3" with Charles Bronson at a new low $14.98 list price.

Biggs Plans For Fourth U.S. Hypermarket

(Continued from page 3)
plans growth in Midwest suburban and rural markets and expansion into the Southeast in states like Tennessee and the Carolinas. Its hypermarkets will be sited in markets "where they can make an impact as the dominant one-stop retailer," Phillips said.

Besides its center developments activity, HS Real Estate also manages Biggs Place, the hypermarket's first store opened in 1984 in Cincinnati.

Biggs' presence in Cincinnati includes two other stores, a 65,000-square-foot strip center supermarket and a 250,000-square-foot hypermarket in the Forest Fair 1.8 million-square-foot retailing/entertainment shopping center owned by LJ Hooker Developments, which is now in bankruptcy. Hyper Shoppes is closely monitoring that bankruptcy because Biggs is one of five anchors in Forest Fair and the only anchor in the Thornton Mall in Denver, which opened last fall with only a few other stores.

Hyper Shoppes is considered a likely bidder for these two centers, which were built by LJ Hooker Developments as part of the developer's grandiose scheme to become a major retailing force in the United States through ownership of malls and traditional department stores. LJ Hooker Developments, an arm of the Australian Hooker Corp. Ltd. conglomerate, acquired B. Altman, Bonwit Teller, Parisian and Sakowitz and built a number of centers before filing for bankruptcy last year.

Hyper Shoppes' original real estate venture, Biggs Place, was built as a 350,000-square-foot, off-price center, anchored by a 200,000-square-foot Biggs with such off-price specialty stores as Marshalls as tenants. After developing the center, Hyper Shoppes arranged a sale and leaseback deal with Intershop Ltd., a Zurich, Switzerland, real estate investment firm.

Biggs Place to Expand

Biggs Place, under HS Real Estate's management, is being expanded to include a 100,000-square-foot home center as a co-anchor, along with an eight-screen cinema and 50 more specialty stores.

Louisville's Middletown Station, an 80-acre, 420,000-square-foot center, will be anchored by a 220,000-square-foot Biggs with another 55,000 square feet of retail space in the enclosed mall portion. Connecting adjacent strip center-type wings will contain another 155,000 square feet of space for about 35 specialty stores.

Hyper Shoppes is funding Middletown Station through a $40 million loan from Intershop. The center's specialty tenants will include Benetton, Computer Lab, Sun Sport (which merchandises sun and wind sporting goods items)and a new Junior ready-to-wear store being launched by Petrie Stores.

Super Valu, parent of discounter ShopKo and its hypermarket arm Twin Valu, owns a 10 percent share in Hyper Shoppes. The remainder is held by a consortium of French firms: Euromarche, France's second-largest hypermarket chain, Lazard Freres & Cie merchant banker and Societe Mediterraneenne d'Expansion Commerciale et Industrielle, a shopping center developer.

Kmarts, Discounters to Open on L.I.

(Continued from page 3)
ini was an assistant store manager of the Kresge store in Bay Shore, on the Island's South Shore.

Exactly why Kresge left Long Island remains unclear, but probably the economic explosion on Long Island in the 1960s and '70s altered the success of the variety store operation and made profits elusive. It wasn't the only chain to leave Long Island. Korvettes, S. Klein, W.T. Grant, Two Guys, and recently TSS and Modell's, all are former full-line discount stores that have disappeared from the Long Island scene.

After closing out its Kresge operation, K mart decided to stay out of the market until now because of the area's high real estate costs, utility prices, taxes, and precarious labor market.

But times have changed, said Antonini, noting that K mart's emphasis on technology in recent years has helped it to cut operating expenses and made returning to Long Island realistic.

In addition, the area has a dense population, 2.9 million people, and one of the highest per capita income levels in the country, making for a positive sales environment.

Convincing K mart to return to Long Island took two decades, said Breslin. The realtor's intensive site analysis and demographic studies which lured many other retailers over the years failed to entice K mart until TSS announced its exit. This time, said Breslin, he approached K mart again and Antonini listened carefully.

Positioning K mart stores for growth is the cornerstone of the discounter's five-year, $3 billion expansion and renovation program.

Renovation Planned

By 1995, every K mart store in the chain will be renovated or moved to a better location to bring it up-to-date with the company's latest retailing plan.

Having recorded sales of $29.5 billion last year, K mart expects to do $33 billion in sales this year, $50 billion by 1995 and $100 billion by the year 2000, according to Antonini.

Caldor Beefs Up Its Presence in New York

Ledgewood, N.J., L.I. Units to Open

(Continued from page 3)
for a Staten Island site in 1981 and succeeded in 1986, he said, indicating a 10-year stretch for getting a store open.

Illustrating the real estate problems on Staten Island, only seven miles wide and 10 miles long, the West Shore Plaza mall that will feature Caldor as an anchor is located in previously undeveloped land near three refuse transfer stations and two miles from the Fresh Kills landfill, largest on the East Coast.

But the store site lies just two miles from the Staten Island Mall, the island's only existing mall. Kuller emphasized that 150,000 New Yorkers live within a three-mile radius.

Caldor will join two long-existing K mart units as full-line discounters on Staten Island. Masters, which would have been a fourth, gave up on full-line discounting at its Staten Island store six months ago, leasing two thirds of the 132,000-square-foot unit for a Pergament home center and reverting to apparel only in the other third that it operates.

The West Shore Plaza also will feature a Masters Family Fashion Center, as well as a Dress Barn off-price apparel store.

Staten Island discount store shoppers are mobile, said a chamber of commerce spokesman, patronizing two Century 21 stores in Manhattan and Brooklyn, as well as a Bradlees in Woodbridge, N.J., a $3 bridge toll away from Staten Island. Caldor also operates a Woodbridge unit.

The new Staten Island store will run 83,000 square feet, or less than the desired minimum of 90,000 square feet, Kuller said. But that's all the 260,000-square-foot mall could offer.

Only One to Close

The Eatontown store is the only one Caldor is closing this year, Kuller said. Problems with an odd, two-level layout, with the lower level a basement, rather than opening onto the mall, made it difficult to operate, he said.

Initially, the Eatontown Caldor was a Montgomery Ward and then an Alexander's.

Paul Carlucci, Caldor senior vice president for marketing, said that annual sales of about $10 million for the Eatontown store resulted in substantial losses over a number of years. Sales were well below the average of 21 other New Jersey Caldors, he said.

As part of its announcement of the store closing, Caldor mailed to Eatontown area residents a coupon offering 10 percent off on all merchandise at its nearby Homdel, Englishtown and Brick Town stores.

Nusim Switches Over to Channel

(Continued from page 2)
Now less than half the size it was just two years ago, Channel has been struggling with paying back debt from its leveraged buyout from the W.R. Grace & Co. in the late 1980s.

Intense competition, especially from the industry's giant, The Home Depot, and the company's retrenchment from numerous markets, including New York and New England, caused chainwide sales to decline by 15 percent last year, to $575 million.

Channel now operates stores in New Jersey, Pennsylvania, Maryland, Virginia, and Delaware.

Nusim had planned to open three Metro Warehouse sites by next year and have 21 units within a 50-miles radius of New York within four years. The units were planned to be 110,000-square-foot warehouses with 4,500 sku's, featuring special emphasis on home office stationery supplies and perishable foods.

Nusim had been working on a $25 million private placement and he was to have an equity position in the chain.

A retailing veteran, Nusim is a former executive vice president at Jamesway, the Secaucus, N.J.-based discount store chain which is currently without a president due to last month's resignation of Arlie Lazarus. Nusim also served stints at Gaylord's National, Spartan Atlantic department stores, and most recently, Makro U.S.A.

As president and ceo of Makro, a Dutch-owned hybrid wholesale club-hypermarket operation that opened in the United States in 1979 in Atlanta, Nusim oversaw the chain's growth to nine units and about $270 million in sales.

In 1988, Kmart purchased controlling interest in Makro (51 percent) to give the discounting giant a foothold in the warehouse club business. The discounter bought the remaining 49 percent of the chain last fall. K mart then folded Makro into its newly acquired Pace Membership Clubs and changed the name of the nine Makro units to Pace. Nusim remained with Makro through the transition to Pace and then left K mart to start raising money for Metro Wholesale.

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Vol. 29, No. 15 August 6, 1990

Chains Plan MasterCard Discounts

(Continued from page 2)
stores are the other three participating retailers.

"Research has shown again and again and again that consumers prefer cost-savings at point-of-sale to any other kind of promotional benefit," said Keith Kendrick, senior vp of marketing for MasterCard.

As a prelude to the MasterValues promotion, MasterCard is providing a $250,000 Gold Card grand prize for this September's CBS/K mart Get Ready Giveaway.

For the second year in a row, K mart and CBS will participate in a promotion linked to the fall TV schedule. Customers will be eligible to win game prizes based on questions about the fall TV lineup.

MasterCard will promote the MasterValues promotion though 40 million inserts into customer bills and a TV commercial set to air November 19. In addition, MasterCard will provide in-store POP materials and launch a nationwide public relations drive.

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Discount Store News®

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SECOND CLASS

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***Circuit City's new auto sound** departments include cellular phones and high-end speakers.* Photo courtesy of Whitney Cox

Circuit City Set to Plug In 'Dream' Auto Department

By Pete Hisey

NEW YORK — Circuit City will roll out its new auto electronics department to its more than 100 stores through holiday this year, and according to the department's architect, the success of the new look is its appeal to the fantasy lives of the chain's customers.

"If you ask 100 consumers what their ideal home would look like, you'd probably get 100 different answers," noted architect Amie Gross. "But if you ask the same 100 what their dream car would look like, the responses would probably be quite similar."

Gross, who has worked with Circuit City for nearly 10 years, was approached to design easily manufactured,

(Continued on page 101)

Market Woes Force Pamida To Postpone Sale of Stock

By Richard Halverson

NEW YORK — New discounter stock issues are falling by the wayside as the stock market reacts adversely to Iraq's unfriendly takeover of Kuwait and the U.S. military buildup in the Persian Gulf.

The latest casualty is the initial public offering that Pamida, Omaha, Neb., planned for the week of Aug. 20. Pamida hoped to sell a 50% stake of its common stock for about $58 million and use $39 million of that to reduce an onerous debt load stemming from a management-led leveraged buyout in 1986.

On the IPO casualty lists, Pamida joins Auto Depot, a second automotives warehouse venture of Robert J. McNulty. McNulty had hoped to raise $7.9 million the week of Aug. 13 to launch a new chain similar to his Southern California-based Auto Giant, to operate on New York's Long Island.

Similarly, May Department Stores Co. postponed indefinitely because of market conditions an initial public offering of an 14 percent stake in Venture, O'Fallon, Mo., for some $38 million. The money would have gone to reduce long-term debt on Venture's balance sheet before it struck out on its own.

Since the IPO is a key element in May's plan to spin off the remaining interest in Venture to May stockholders, the postponement means that Venture will have to wait a little longer for its independence.

Moreover, Office Club, Concord, Calif., had expected two weeks ago to sell 1.3 million more shares to the public to raise about $14 million for further expansion.

(Continued on page 101)

Club Wholesale Finds New Life in Office Supply Biz

By Arthur Markowitz

BOISE, Idaho — Club Wholesale has switched its business from membership warehouses to office supply superstores, and has unveiled two megastores with two more set to open.

The new stores are called Club Wholesale Office Supply Warehouses and follow the wholesale club format in being membership stores, $10 for wholesale members and $40 for executive members. But the superstores are also open to the general public, which pays a 5 percent surcharge on purchases.

The company, which is focusing its operations on the relatively untapped superstore market in the Pacific Northwest, plans to opens 12 to 14 units in that region next year.

Club Wholesale president Phil Roark said the switch in operation is "redeployment of capital" to take advantage of the greater growth opportuni-

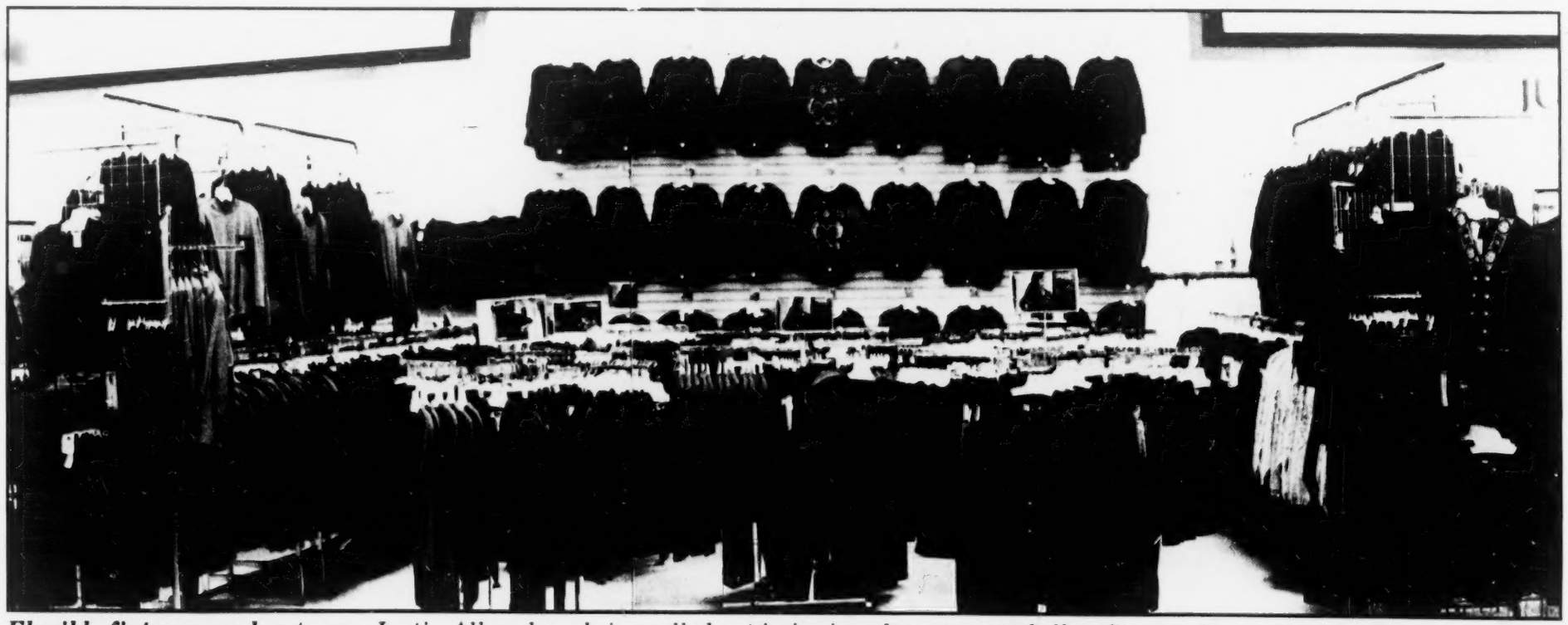
(Continued on page 102)

Justin Allen Shops Dress Up Stuarts Stores

By Jill Lettich

FRANKLIN, Mass. — Stuarts Department Stores has entered the shop concept era with the introduction of Justin Allen shops in all of its 23 stores. According to Steve Drexler, merchandise manager for the chain, the junior separates in the shop have already exceeded expectations since debuting at the store at the store in mid-August. This week, the retailer will do its first major promotion for the label, with local radio adver-

(Continued on page 12)



***Flexible fixtures are key** to new Justin Allen shops being rolled out in juniors department of all 23 Stuarts Department Stores.*

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MARKETWATCH

Ames Establishes Toll-Free Vendor Line

ROCKY HILL, Conn. — Ames has established an 800 information line exclusively for the use of vendors. The toll-free number, 800-677-FACT, "will be staffed by experienced Ames executives, available full-time to answer vendor questions," said president George Granoff. "It's another way to show how much we value vendors, and want to continue to earn their support."

Sears Canada Opens Shop on Sundays

TORONTO — Sears Canada, which had opposed Sunday shopping, has opened its Ontario stores on Sunday in response to other retailers doing the same. Sears said it "experienced a shift in its balance of weekend sales where its competition had opened [on Sunday]. This would suggest that a number of Ontario consumers are and will continue to shop on Sunday." The Ontario government's law banning Sunday openings for most retailers was recently ruled unconstitutional, although an appeal on that ruling is due to be heard next month.

Office America Plans More Superstores

RICHMOND, Va. — Office America will unveil two superstores in Charlotte, N.C., in November to reach 16-units, with one in Lynchburg, Va., set to open early next year. Other megastores are projected for 1991 in Memphis, Tenn., Louisville, Ky., Dayton, Ohio, and six undisclosed markets, four in North Carolina and two in Virginia.

Bill's Keeps Store Tabs With Network

JACKSON, Miss. — Bill's Dollar Stores has opened 11 new stores, including its second Bill's within a Sack & Save grocery store, bringing the chain total to 545 in 13 Southern states. The company keeps in touch with its growing chain through an in-store satellite network, the only dollar store currently operating such a system.

Tuesday Morning Opens Four New Sites

DALLAS — Tuesday Morning, the closeout chain, opened four more stores last week, pushing store count to 126. Two of the four were in Raleigh, N.C., a new market, while Cincinnati got its third new store and Chicago got its 10th. Tuesday Morning stores operate only during peak selling seasons such as Christmas and back-to-school.

Bradlees Names New GMM, Soft Lines

BRAINTREE, Mass. — Bradlees has named Cecilia Swartz its new general merchandise manager of soft lines. She replaces John Gounaris who has left the firm. This is the latest round of organizational changes for the 130-store chain, which reshuffled its executives after George Granoff, its president and coo left to join Ames as coo.

McCrory to Join Home Health Kick

YORK, Pa. — McCrory Stores soon will be home to a new chain of Home Health Supply Centers. McCrory has signed a store concession license agreement with Nyle Home Health Supplies, Inc., a newly created subsidiary of Nyle International Corp. of Bangor, Maine. Between 15 to 20 Mini Home Health Centers and five full-service Home Health Centers are expected to be in operation within McCrory stores by mid-October. A total of 50 to 60 Home Health Centers are slated to open by Christmas this year.

Hills Awards Academic Scholarships

CANTON, Mass. — Hills has awarded five $1,000 Herbert H. Goldberger Memorial Scholarships for 1990. Each student winner was chosen for academic excellence, leadership qualities, references and autobiographical sketches. Scholarships are renewable for four years through maintaining a certain grade point average.

Retail Federation to Hold Ad Meeting

NEW YORK — The National Retail Federation will hold a conference Oct. 17 to 18 at the Omni Park Central Hotel here on "Marketing Your Store As A Brand." The two-day meeting, which will discuss the advertising and marketing techniques that can help retailers improve their market position and performance, will feature a number of case studies, including IKEA's ad program for its unit opened in May in Elizabeth, N.J. Information: NRF, (212) 244-8780. Fax: (212) 594-0487.

Can Tons of Toys Rebuild? That Is T.H.E. Question

WAREHAM, Mass. — Tons of Toys, the $27 million toy chain, has shed the financial bonds of bankruptcy protection and is focusing on rebuilding its retail toy business.

Bruno Ferretti, president of the newly reorganized company, said he has many goals, including expanding the chain. Among his many priorities are: making the company profitable; maintaining gross margins; expanding the product mix into hobby products; and providing some additional services.

Tons of Toys emerged from Chapter 11 bankruptcy last month and merged with T.H.E. Corp., parent company of Los Angeles-based Merchants West, Karl's Toys, Toys Plus and Toys Galore.

The new company is now known as Tons of Toys Inc., a 52-unit bicoastal toy chain, the seventh largest in the nation.

The two chains were merged under the Tons of Toys name since Tons of Toys was a publicly held company.

Last year, the combined toy chain had sales of $53 million, putting it ahead of Value Merchants, operators of Toy Liquidators and Toys Unlimited. Value Merchants recorded $40 million in sales in 1989. (Tons of Toys recorded 1989 sales of $26 million and Karl's Toys, $27 million.)

Under the reorganization plan, shareholders of T.H.E. will exchange their shares for a 65 percent interest in Tons of Toys. Tons of Toys shareholders received stock valued at 1.5 percent of the stock in the restructured company. Existing TOT shares will be devalued in a reverse stock split of nearly 35-to-1. Creditors will receive 20 cents on the dollar, double what they would have gotten had the company been forced to liquidate, said Ferretti.

T.H.E. chief executive Joseph Chiang is now ceo of Tons of Toys; Ferretti remains president.

During the course of the Chapter 11 proceedings, Ferretti said Tons of Toys tightened up its shrink rate, which was due more to "paper shrink than anything else," made the stores more profitable, maintained gross margins and began developing new advertising strategies for the fall.

As a merged company, with stores ranging in size from 4,000 square feet to 15,000 square feet, Ferretti said Tons of Toys will develop a chain based on the strengths of the individual parts. Among the changes now planned for is the development of a hobby department, something already successful at Merchants West.

Seven Toy Companies Charged in CPSC Suit

WASHINGTON — Seven of the nation's largest toy importers and distributors and their chief executives are being sued by the Justice Department and the Consumer Product Safety Commission for selling allegedly unsafe toys to children.

The two federal agencies said Toys "R" Us, Child World, Lionel Leisure, Value Merchants, Illco Toy Co. USA, Beachcombers International Inc., and Division Sales Inc. and an affiliate, Justen Products, have been found selling imported toys that allegedly fail to meet government safety requirements for toys sold in this county.

The suits, filed Aug. 20, request preliminary injunctions against the seven companies. The legal action is the result of ongoing investigations by the CPSC and the U.S. Customs Service.

No specific toy was publicly identified by the government agencies, but the CPSC said the toys included items that featured parts small enough to pose a choking hazard to young children as well as toys made with a very high level of lead paint. For example, a toy xylophone contained a lead content of 11 percent vs. the government's maximum of .06 percent, said Dan Rumult, acting public affairs director for the CPSC.

Rumult said the government action follows two to four years of violative activity on the part of the toy companies.

"In spite of repeated violations" the toy companies continued to sell products that violated government safety codes, said Rumult.

Recent statements by several toy company executives denied willful wrongdoing. The executives said Customs Service agents should be more vigilant and that often they spec toys that meet all federal standards but probably get altered later on.

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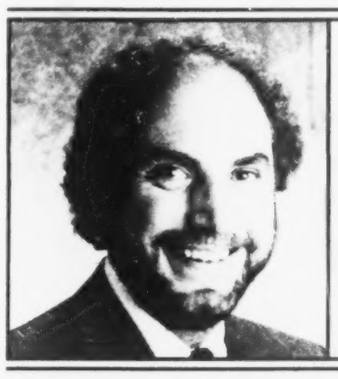
EDITORIAL

What Are Discounting's Biggest Lies?



TONY LISANTI
Editor

I am sure you have heard the old joke that begins the "three biggest lies . . ." Over the past few months, the *New York Post*, a bold daily tabloid newspaper, launched an ad campaign centered around the three biggest lies theme.

For example, billboards stated three "lies" of the typical New Yorker, "I love being single," "I never watch television," and "I don't read the *New York Post*."

It was a clever campaign, and after recently being delayed on a hot summer morning on the subway, I was staring at the *New York Post's* ad when my thoughts began to wander about some of the biggest lies in discount retailing!

"Just stack it on the shelf, it'll sell."

"If you get the right merchandise, it'll sell no matter what."

"Our delivery truck broke down, but we'll have the merchandise first thing in the morning."

"This is the biggest sale event of the year, really."

"The bigger the store, the better."

"This is a unique concept, it really is."

"We're meeting our profit objectives.

"I'm not worried about competing with Wal-Mart."

"A recession will help our business."

"We don't compete with anyone, particularly the warehouse clubs."

"But we're not in a recession, the economy is strong."

"Most shoppers will definitely buy perishables and general merchandise."

"The market is overstored; there just aren't any good sites available any more."

"Discount retailing is dead."

"The cold, blustery weather hurt our spring sales."

"The hot, humid weather hurt our fall sales."

"Good help is impossible to find."

"The customer is always right."

"Our customers are so loyal."

"Business has never been better, despite our last monthly earnings report."

"Oh yeah, Sam Walton and I are great friends; we go quail hunting all the time."

"But we're not a discounter, really."

"We guarantee the lowest prices, everyday."

"I don't read *Discount Store News!*"

If you want to add to this list, fax me the biggest lie about discount retailing that you have ever heard. *DSN's* fax number is (212) 838-9487.

PUBLISHER'S VIEW

DSN Enhances Its Merchandising Coverage

JOHN FAILLA
Publisher

For the past five years *Discount Store News* has been actively involved in strategic planning. Our goal has been to provide a platform for new ideas and programs that would continually improve *DSN*. We believe that this commitment to continued improvement is essential to maintain our position as the most valuable publication received and read in the industry today.

A recently concluded readership study of corporate officers, merchandise managers and buyers from the top 150 discount chains illustrates that our plans and ideas have been on target. The results of this study showed a greater preference on the part of these executives for *DSN* than for any other industry publication.

Today more retailers are receiving and reading *Discount Store News* than ever before and *DSN's* recent recognition as one of the "25 fastest growing business publications" (by the publishing industry magazine *Folio*) is further indication that our commitment to continued improvement is being well-received by both readers and advertisers.

In 1991 *DSN* will launch several exciting new programs. One that we are particularly excited about is the introduction of an enhanced editorial section in six of our issues that will be devoted to apparel, called *Apparel Merchandising*. The *Apparel Merchandising* section of *DSN* will offer exclusive consumer research in every issue and serve as an excellent complement to the regular apparel news coverage in all other issues of *Discount Store News*.

As apparel is growing in importance in the mass market, this enhanced editorial coverage will benefit both readers and advertisers. We are fortunate to have an excellent team working on this project. Associate publisher Paula Lashinsky and editor Jeff Arlen are well-known in the apparel industry and will be providing excellent insight and analysis.

Apparel Merchandising joins the growing list of special editorial sections—including *HomeMarket Trends*, *Home Office Merchandising*, *Food Merchandising*, and *Outdoor Living*—all published by *Discount Store News*, in our effort to remain the most valuable publication you receive.

WASHINGTON REPORT

Proposed Co-Op Ad Rules Haunt Discounters

KEN RANKIN

Nearly twenty years ago federal antitrusters became concerned over the abuse of manufacturer co-operative advertising programs.

The Federal Trade Commission's response was to fashion a series of "Guides for Advertising Allowances and Other Merchandising Payments and Services"—the so-called, "Fred Meyer Guides" aimed at preventing the use of manufacturer ad allowances to facilitate anticompetitive practices.

One key marketplace evil addressed by the FTC guides was the use of co-op ad programs to provide discriminatory rebates to large chains. Since small retailers with little or no money for advertising could not take advantage of co-op ad allowances, the agency reasoned that such rebates were discriminatory.

To curb such practices, the guides required sponsors of co-op advertising programs to make allowances available to all competing retail customers on proportionally equal terms.

But the guides were also designed to prevent another, even more serious threat to competition: the use of co-op ad programs to facilitate illegal resale price fixing conspiracies.

To halt this practice, the agency's groundrules prohibited manufacturers from refusing to pay allowances for retail ads containing discount prices.

Nearly two years ago, FTC officials proposed sweeping changes in the guides—changes which would not only dilute the restrictions against discriminatory pricing, but also eliminate the provisions designed to protect discounters from resale price maintenance schemes.

The proposals ignited a firestorm of objections from virtually every side, prompting the FTC to scuttle most of its proposals. But it still hasn't budged on the RPM issue.

Despite the discount industry's arguments, the new FTC guides will allow manufacturers to withhold co-op ad payments to retailers who advertise discount prices.

It's another case of FTC ignoring the antitrust doughnut and concentrating solely on the hole.

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Electronic Shopping Services at a Crossroads

By Arthur Markowitz

The future forms and viability of electronic retailing remains open to question despite the approximately $2 billion in merchandise sold through various TV and telephone/terminal shopping services.

A major acquisition in the TV shopping field along with the introduction of a new home computer and pending lawsuits by local phone companies seeking to expand into new service areas are among the developments likely to determine the future directions of the electronic retailing business.

But the biggest ER wild card continues to be the impact of technology. This is especially so for interactive devices that aren't being specifically developed for shopping but which will make purchasing merchandise electronically easier and more user-friendly than current technology, electronic retailing executives said.

The ultimate ER format is seen as interactive shopping using a home appliance that is a simplified combination of a TV, computer and telephone in which consumers can access information and services, including viewing full-color sound and motion presentations of merchandise and then placing orders for goods.

Current ER technology provides different aspects of this shopping through two distinct formats. They are the three-company, $1,663.4 billion passive TV shopping field and the approximately $335 million interactive terminal field composed of 13 different computer and telephone information and shopping services.

Here are updates of the various segments:

Television Shopping

This segment underwent a major consolidation last year when QVC, the No. 3 firm, acquired CVN, the No. 2 teleshopper, for approximately $464 million.

QVC is now challenging HSN for the top spot in sales and reach (number of homes able to receive the service), while the JCPenney Shopping Channel, the third player, lags far behind.

But teleshopping's future will likely be shaped by the answer to a key question: how many shopping channels do cable TV operators want to carry on their systems?

The general consensus among cable operators is that they need to devote one, or at most, two, channels to shopping to obtain maximum sales. This view reflects their experience a few years ago which saw some systems airing a half dozen shopping channels at one time but garnering most of their sales from one or two teleretailers.

The three players have each staked out a unique marketing identity that could insure each a continuing ER role. Still, there are some signs that point to a maturing of teleshopping sales that could result in further coalescence.

HSN, founder of the teleshopping field, is the most developed player, showing little gain in viewership and now boosting sales only by resorting to promotions. Bottom line results have also been sliding, moving into $14.9 million in red ink last year from $18 million in profits in 1988.

A number of multisystem operators (MSOs) carry HSN under affiliation agreements or as part of three- to-five-year-old stock option plans. These plans are starting to expire—agreements covering 12 percent of total subscribers elapsed this year—and HSN declined to state how many were renewed.

QVC's relationship with the MSOs is firmer because a number of major cable operators hold stakes in the teleshopper and its stock warrants, extending seven to 10 years, don't start expiring until 1996.

But the growth in QVC's sales through its original network has slowed, even though it increased an impressive 38.9 percent last year to $268 million, compared with a 72.3 percent rise to $193 million the previous year. On the up side, growth in repeat customer sales, viewed as a key indication of future success, has remained steady at 88.8 percent of volume in 1989, compared with 89.6 percent in 1988.

The teleshopper's earnings, meanwhile, slid to $6.3 million last year from $9 million.

When QVC acquired CVN, it announced plans to convert the CVN channel to a shopping network featuring traditional store retailers in their own programs. This effort floundered when QVC failed to receive support from store retailers. Instead, QVC leased out the former CVN channel to the JCPenney Shopping Channel.

The JCPenney Shopping Channel, successor to the unsuccessful Shop TV start-up venture, is part of the retailer's broad exploration of ER that also includes merchandising programs on online computer services. All its ER programs feature merchandise from its stores and catalog, with the TV shopping channel also showing non-JCPenney items.

JCPenney executives have said the teleshopper is "an added convenience to customers providing a new but natural next dimension in retailing." But it was expected to take about five years for teleselling to become profitable.

Computer Shopping

Prodigy's national rollout last year turned the $1 billion start-up venture, jointly owned by Sears and IBM, into the leading retailing-oriented online service. Its position is expected to be enhanced through its availability as a

(Continued on page 12)

Electronic Shopping Services

Passive Cable Shopping

Company	Sales (In Millions) 1989	Sales (In Millions) 1988	Cable Systems Carrying	Homes Passed (In Millions)
Home Shopping Network[1] St. Petersburg, Fla.	$774.3	$730.1	1,500	20.3
QVC[2] West Chester, Pa.	453.2	193.2	3,000	34.0
JCPenney Shopping Channel[3] Dallas	26.0	7.9	500	15.0

[1]Home Shopping Network viewership figures are for HSN 1 and HSN 2 programs carried by cable. Excluded are: about 27.5 households viewing HSN 2 over 12 company-owned and 18 affiliated broadcast TV stations; undetermined viewership for HSN Spree program carried by 37 broadcast TV stations; 2 million satellite dish households viewing all HSN programs.
[2]QVC volume includes sales over CVN acquired Oct. 31, 1989. Pro-forma sales for joint operation for 1989 and 1988 are $863.1 and $595.0.
[3]JCPenney owns program and handles merchandising, fulfillment; paid Shop TV Productions $15 million for TV production, cable marketing work and $1.1 million in sales commission.

Interactive Cable Shopping

Main Street, Stamford, Conn. Ongoing tests on cable systems in Newton, Mass., and Cerritos, Calif.

Computer and Telephone Shopping

Company	Revenues (In Millions) 1989	Revenues (In Millions) 1988	Number of Members: Phone	Number of Members: Computer	Number of Suppliers
Comp-U-Card[4] Stamford, Conn.	$367.5	$271.8	3.2 mil.	80,000 [Comp-u-Store Online]	1,100

[4]Comp-U-Card revenues are for membership and service fees only; it receives 5 percent of sales of an undisclosed amount of merchandise. Comp-u-Store Online—which lists over 250,000 sku's supplied mainly by wholesalers and manufacturers—is available on most computer and telephone/terminal services.

Online Computer Shopping

Company	Number of Subscribers	Number of Suppliers[5]	Main Shopping Services
Direct Computer Service			
CompuServe Columbus, Ohio	580,000	60	The Electronic Mall[6] Shoppers Advantage
Delphi (General Videotex) Cambridge, Mass.	150,000	12	Merchants Row Comp-u-Store Online
GEnie (GE Information Services) Rockville, Md.	205,000	35	GEnie Mall[7] Comp-u-Store Online
Minitel Purchase, N.Y.	NA	10	GateWay Square[8]
Prodigy Services Co. White Plains, N.Y.	440,000	60	Prodigy
Quantum (Quantum Computer Services) Vienna, Va.	100,000	6	The Mall Comp-u-Store Online
U.S.Videotel[9] Houston	12,000	12	GateWay Square Comp-u-Store Online

[5]Suppliers include specific, identifiable retailers, manufacturers and other merchandise providers that are either accessed directly through the service or the main shopping service. Comp-u-Store suppliers are excluded.
[6]The Electronic Mall suppliers include Sears, JCPenney and Spiegel. Shoppers Advantage is Comp-U-Card's service on CompuServe.
[7]GEnie Mall includes Sears and JCPenney.
[8]GateWay Square, provided by U.S. Videotel, includes JCPenney.
[9]Service available in Dallas/Fort Worth, 3,000 subscribers, and Houston, 9,000 subscribers. GateWay Square includes local firms excluded from service on Minitel.

Telephone/Terminal Gateway Service

CommunityLink (US West)[10] Englewood, Colo.	3,500	35	All the Shops Comp-u-Store Online The Atrium
IntelliGate (Bell Atlantic)[11] Philadelphia	9,000	0	Comp-u-Store Online
INFO-LOOK (NYNEX)[12] New York	30,000	2	Shopping Mall Comp-u-Store Online
TUG (Bell South)[13] Atlanta	3,000	0	Comp-u-Store Online

[10]Service available only in Omaha, Neb.
[11]Service available in Philadelphia, 5,000 subscribers, and Washington, D.C., 4,000 subscribers.
[12]Service available in New York City, Nassau, Suffolk, Rockland, Westchester, Putnam Counties, N.Y.; Boston and Burlington, Vt.
[13]Service available only in Atlanta.

NA—not available

Source: DSN research; company reports; CableVision; Interactivity Report

Wal-Mart Sets $5 Deposit For Battery Returns

(Continued from page 5)
chains as K mart, Sears, Fred Meyer, Pep Boys—Manny, Moe & Jack and Montgomery Ward which long have required deposits on lead-acid battery purchases in lieu of exchange.

In its new program, Wal-Mart will be emulating K mart, which began a program this May of paying $2 a battery for as many junk batteries as anyone cares to bring in and promised an $80 million commitment. No details of the Wal-Mart program have surfaced so far.

Effective June 1, the exchange pricing means Wal-Mart battery customers have to leave behind an extra $5 if they don't leave a junk battery. If they return a junker, they get their deposit back. If they don't, Wal-Mart makes an extra $5 gross profit on those sales. Such deposits range from $3 at Rose's Stores to $5 at K mart, Fred Meyer and Montgomery Ward, and $7 at Sears.

Some states require all retailers to charge deposits ranging from $3 in North Carolina (as of next Jan. 1) to $5 in Minnesota and New York to $10 in Maine. In addition, states such as California, which saw its first Wal-Mart open Aug. 1 in Lancaster, and Washington require retailers by recent laws to accept junk batteries from their customers. Minnesota requires retailers to accept as many as five junkers for every unit customers buy. New York requires two.

When customers must leave substantial deposits, either by state law or chain policy, recycling rates range from 60 percent to 90 percent, meaning as many as 90 batteries are recycled for every 100 sold. Where chains charge no deposits—and discourage customers from leaving junk batteries behind—recycling rates run as low as 2 percent.

Wal-Mart and its Sam's division sell 5 million lead-acid batteries a year, trade sources estimate.

As customary in merchandising matters, Wal-Mart declined to comment on its new battery deposit policy.

Wal-Mart operates 360 automotive centers, so customers automatically leave behind junk batteries when mechanics install replacements.

But in stores lacking auto service, Wal-Mart had no chainwide policy of accepting junk batteries from customers and no system of handling and disposing of corrosive lead-acid junkers. Prior to June 1, most of Wal-Mart's recycled batteries came from stores operating auto service centers, industry sources said.

Under the new system, Wal-Mart battery vendors, GNB for 589 stores in the south and California and Johnson Controls for 888 stores in the rest of the country, pick up junk batteries when delivering fresh ones.

Soaring lead prices, as well as the growing number of mandatory recycling laws, are driving lead-acid battery recycling. Because of their poisonous lead content, junk car and truck batteries constitute an especially worrisome environmental problem.

K mart, in cooperation with Exide, its battery vendor, is paying $2 for every junk battery that anyone brings in. An estimated 40 million junk batteries are gathering dust in American garages and basements, and K mart has offered to buy every one of them for a total of $80 million. (See *DSN*, Aug. 20, page 52).

The $2 payment, however, doesn't apply to purchasers of new batteries. K mart maintains that it already factors a $2 trade-in allowance into its battery prices. The $5 core deposit that customers must leave in lieu of an exchange is an entirely separate matter.

Exide, K mart's battery supplier, pays the chain $2.50 for every junk battery K mart takes in, so the cost is about a wash after counting administrative costs.

At today's lead prices, an average junk battery contains about $10 worth of lead, as well as recyclable plastic in the cases.

In keeping with the trend in state deposit laws, K mart increased its battery deposit last year to $5 from $3. Subsequently, its recycling rate rose to more than 80 percent from about 62 percent.

At Venture, which offers no auto service and charges no deposits, the recycling rate runs about 10 percent.

At Target, also without auto service and a chainwide deposit pricing policy, the recycling rate was an estimated 11 percent in 1989. New mandatory recycling or deposit laws in many of the states it operates in, including California, Minnesota and Washington, can be expected to increase that rate.

Justin Allen Dresses Up Stuarts Stores

(Continued from page 1)
tising planned and a free gift with minimum purchase as part of the promotion.

Stuarts currently has one Gitano shop in its New Bedford, Mass., location, the most recent Stuarts prototype. Justin Allen, however, is the only concept shop that has been rolled out chainwide.

Joseph Ettore, president and ceo, noted that the Hopkinton, Mass.-based full-liner had preliminary meetings with McGregor regarding a shop as well. Ettore was instrumental in bringing McGregor to Jamesway during his tenure there as senior vp/gmm, soft lines. At Stuarts, however, he envisions a somewhat scaled-down version that fits in more easily with the sparser look of a Stuarts department store.

Unlike Gitano and McGregor shops in other stores, which have top of the line permanent fixtures and specific floor space requirements, the Justin Allen shop is more flexible.

The shop is in Stuarts juniors department. All the shops consists of a back wall display, two grid fixtures on either side and two three-way fixtures that serve as an endcap. Rounders in the center of the shop vary from store to store. In its two Lowell, Mass., stores, one has two center rounders and the other has six. A banner in Stuarts', teal with the Justin Allen logo and the words 'style direction', call attention to the shop.

Drexler said he likes the shop concept and the emphasis it puts on brands. "We have a well developed junior customer," he said. "We wanted to create an environment that was a little more sophisticated for her to shop in."

Drexler said it was trying to give one of its other brands, Lightning Bolt, that same focus, not in its own shop, but in its own section of the junior department. "You can't get carried away with the concept, that's not my customer," Drexler said.

Alan Menegel, president of Justin Allen, brought the shop idea for the label to Stuarts earlier this year. Menegel calls Justin Allen a "sleeping giant," and has already expanded its concept to include Harts, the Ohio-based regional discount store chain. It is now discussing the idea with National Merchandising, a chain in Jacksonville, Fla.

The line includes related separates in jersey knit, woven pants and jackets, coordinating sweaters and plus size separates.

The Future of Electronic Shopping Services Is Unclear

(Continued from page 10)
built-in feature in the PS/1 computer, IBM's just introduced low-cost, full-function machine specifically targeted for family use at home. But PS/1 owners will still have to pay the $9.95 a month to receive the service.

(IBM plans to spend $30 million to promote the PS/1 as its re-entry into the $3.6 billion home computer market. The company is playing up Prodigy as one of the targeted features of the PS/1, which was introduced in 45 Sears Brand Centrals in Chicago, Dallas and Minneapolis-St. Paul.)

Prodigy, without any PS/1 push, already has 440,000 household subscribers, up from about 100,000 a year ago, but the continuing adjustment of the service indicates it hasn't found the right formula for success. Prodigy's latest efforts include positioning its service as price-sensitive—competitive with traditional retailers—rather than a convenient upscale merchant that would be used by higher income consumers who don't have time to shop in stores.

Prodigy, and all the other online computer services are banking on lifestyle changes—growing numbers of home computers, greater computer literacy, dual-income families, more working women and a greater demand for all kinds of information—together with a decline in customer service from retailers, airlines, new car dealerships, etc., as the long-range spur to the swelling use of computers for shopping and other services.

While Prodigy has targeted retailing as its key mission, shopping is a subsidiary feature to the information services that are the core objective of the other online computer services. Overall online shopping hasn't developed a critical mass, so far, so that relatively few retailers are offering merchandise on the other computer services.

Sears and JCPenney are the only major traditional retailers that are on Prodigy and most of the other online services. Both retailers view their current involvement as a low-cost learning experience and investment for what could become a major retailing venture in the future.

K mart and Lechmere have left Prodigy and few other major retailers besides Sears and JCPenney are on the online services. The few successful online retailers have found they need a dedicated order and fulfillment facility to service computer shoppers, and most traditional merchants haven't been interested in setting up such a center because of the limited sales potential.

Telephone Gateways

This segment is basically a retailing desert due to the limited number of consumers in a few markets that subscribe to phone gateway services.

But gateways are likely to include more shopping services in the future as a result of current challenges to past court decisions barring local telephone companies from originating information and shopping services. Right now the four teleco gateways can only provide the link between computers or dedicated telephone/terminals and information and shopping services.

Federal Judge Harold Greene, responding to a Ninth Circuit Court of Appeals' order, is now reviewing his ruling barring telecos from inaugurating information and shopping services. Greene made his decision as part of the 1984 decree breaking up the American Telephone and Telegraph Co. into one long-distance carrier, AT&T, and seven regional telecos.

The breakup, however, allowed AT&T to originate information services and the national teleco is eyeing entering the interactive shopping arena. It has probed acquiring U.S. Videotel, an online computer service, as a fast track entry into ER.

Prodigy on sale at Office Stop, *Paramus, N.J.: K mart and Lechmere have abandoned the online computer service.* (DSN photo)

APPAREL/ *Men's*

Browsing Up a Storm at MAGIC

Almost mimicking their customers and the market climate of late, many discount executives will admit only to "just browsing," at MAGIC. The Men's Apparel Guild in California trade show, in Las Vegas through Sept. 7, will play host to 3,000 exhibitors, who hope the estimated 40,000 attendees will actually buy after browsing.

A word of advice to the manufacturers: if it's fashionable and says California lifestyle all over it, it will probably sell.

Despite a soft retail climate, MAGIC manages consistently to be a catalyst for new style trends. This year, optimism for a brighter future came in the form of a May Co. announcement that it was sending buyers to the show after a much noted absence. May is the former parent of Caldor and still operates Venture as a discontinued operation. Manufacturers took May's return to the show as a sign of better buying to come. Stores also slow in deciding their direction—Montgomery Ward was still up in the air about who was going to MAGIC in late July—finally decided to send a contingent , albeit small.

According to Richard Rusthoven, vice president and gmm of men's, three buyers from Montgomery Ward will be shopping MAGIC, with a special emphasis on young men's apparel.

"We're really looking for more California sources," he said.

Sears will also be "just looking." John Summers, a spokesman for Sears, noted that final decisions for the spring '91 season would probably be done prior to the trade show. "The buying commitments are generally made in advance of MAGIC, but buyers are going there to look for validation of the trends, and to renew contacts with various vendors."

According to Summers, buyers from its men's, young men's and its kids' store will be in attendance.

The show should prove somewhat of a training ground for personnel from Bradlees, a division of Stop & Shop. In addition to a number of buyers, Cecilia Swartz, the new general merchandise manager at Bradlees, will be in attendance. Swartz replaced John Gounaris, who left the firm.

Other newcomers to MAGIC from Bradlees will include John Dvorkin, who was recently named divisional merchandise manager, men's. Both are somewhat new to the men's area. In the same reorganization, Christine Bailey was named divisional merchandise manager, children's, a post Swartz held previously.

"It [MAGIC] should be interesting," noted Chuck Rilling, men's merchandise manager at Jamesway. "The fall show is usually better. It focuses on spring, which is better for all the California fashions the West Coast manufacturers are known for."

Though not armed with a specific shopping list, Rilling said he and five other buyers from Jamesway would be "looking for what's new for spring."

"This is a great place to get trend information. More than any place else, it gives us a better idea of colorations and styling," he said. "Although we do some actual business at the show, MAGIC is more the place to pick up trends, meet with established suppliers and meet new suppliers who we might work with in the future."

"This really is the definitive show for men's wear," agreed Dennis Sargent, divisional merchandise manager of Alexander's. "We use it for new trend ideas and for sourcing new vendors, especially those based in California who we don't get to see often. That's really important in the swimwear and surf categories. Some of these vendors may not have New York representatives."

"I'll be looking to find some deals on fall merchandise," said Gene Kozack, president of NBO. Seven representatives from NBO will be in attendance. Sweaters and outerwear are shopping priorities for the retailer, according to Kozack.

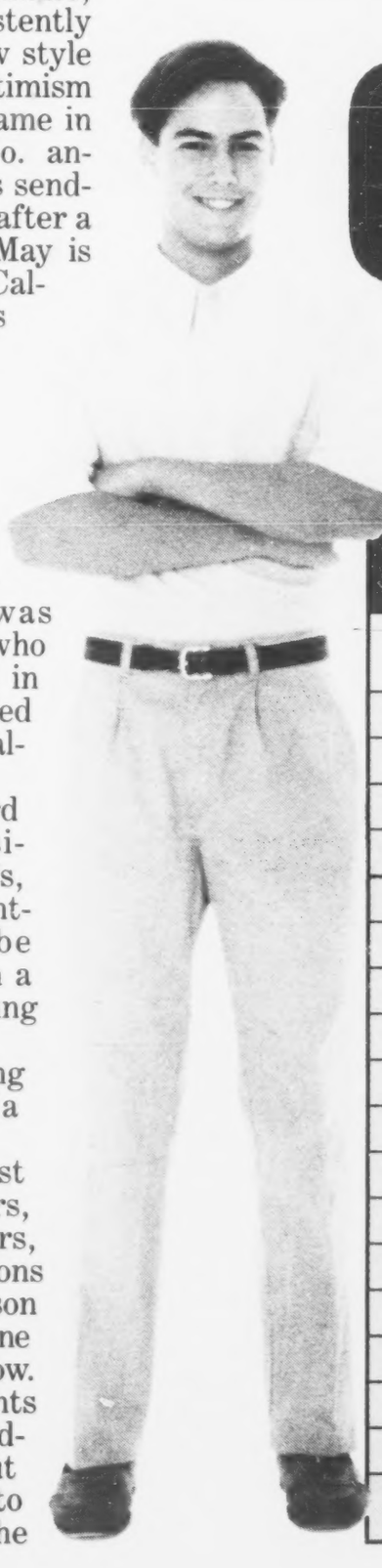
Though MAGIC is held twice a year, many retailers regard the fall show as the more important. The fall edition features late holiday and spring merchandise, seasons that are tailor-made for lifestyle fashions that continue doing well at retail.

This MAGIC is the third to be held at the Las Vegas Convention Center after moving from Los Angeles last October. Though there were plenty of initial complaints, both exhibitors and retailers now contend that the space itself is more conducive to an efficient and well-organized show.

Retailers found Los Angeles convenient because shopping the West Coast stores was easily done after the show. Though almost every major men's manufacturer and category is exhibited in Las Vegas, few retailers are willing to give up the trip further west to see what's happening in the Los Angeles shops. Both K mart and Jamesway, for instance, plan jaunts to California when the show is over, confirming again that casual, activewear garments that go sunning and surfing are the things to keep an eye on.

Throughout the three-day event, show organizers plan a continuing number of fashion shows featuring exhibitor garments in the main lobby of the Convention Center. In addition, all show participants are invited to a Grand Opening Party in the Convention Center parking lot, which will kick off the event.

This section was written by Jill Lettich, Associate Editor/Apparel for DSN.

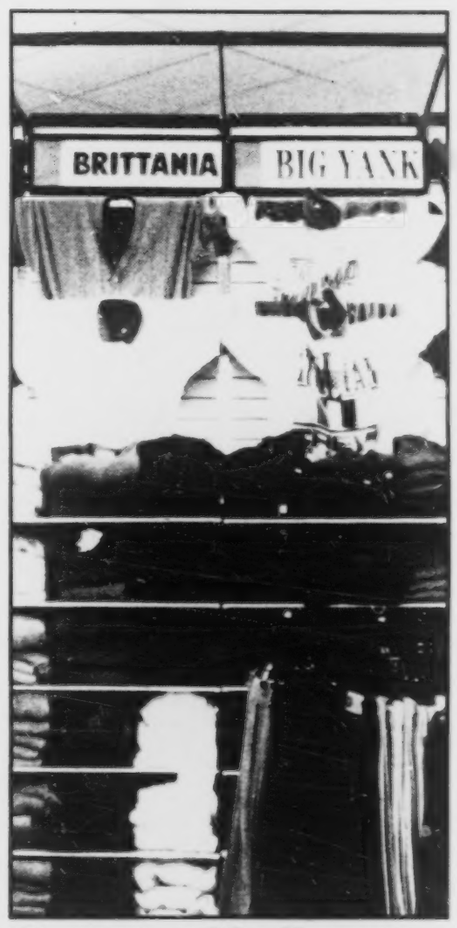


***C**ornering today's men's apparel market is elementary: 'lifestyle' means comfort and fashion savvy.*

Top Men's Wear Discounters

Chains	1989 Sales (In Millions)
K mart	$2,363
Wal-Mart	2,259
Sears Roebuck	1,849
Mervyns	895
Target	782
Ames	651
Montgomery Ward	563
Marshalls	455
T.J. Maxx	419
Bradlees	255
Fred Meyer	211
Ross Stores	193
Hills	179
Syms	168
Caldor	162
ShopKo	152
Filene's Basement	88

Source: Apparel Merchandising, DSN Research.



***Discounters like K mart** are planning excursions to California after MAGIC.* (DSN photo)

MARKETWATCH

TJX Cos. Posts 2Q Surge in Earnings

FRAMINGHAM, Mass. — TJX Cos. reported increases in its operating earnings for the second quarter of 1990, evidence that it has weathered the storm of restructuring and adjustments related to the Ames Department Stores bankruptcy.

TJX Cos. reported income from the second quarter ending July 28 of $14.4 million, up 40 percent over last year's figures. After adjustment, earnings in the same period in 1989 came to $10.4 million.

Net sales for the second quarter increased 14.4 percent to $572.5 million, up from $500.3 million last year, bringing sales to $1,086.2 million for the first half, up 12.4 percent over the same period last year.

TJX Cos. includes 367 T.J. Maxx stores, 572 Hit or Miss stores and the Chadwicks of Boston catalog. According to Bernard Cammarata, president and ceo, all three divisions showed operating profits in the quarter.

At T.J. Maxx, the company reported moderate sportswear, dresses, girls' wear and home furnishings were performing strongly. The fall edition of the Chadwicks catalog also "realized significant growth in sales and operating income."

Hit or Miss was the only division to show earnings below 1989 levels. "We continue to seek improvements in gross margins and operating income over the long term from our strategy of managing Hit or Miss with lower inventory levels," Cammarata said.

J. Baker a Shoe-In At Rose's Stores

HENDERSON, N.C. — Rose's Stores has given J. Baker, footwear merchandiser, operating control over the shoe centers in all of Rose's 258 stores.

The retailer reported that it received a cash payment for the purchase of the existing shoe inventory and fixtures as well as other considerations. Rose's will receive a fixed percentage participation in future revenues of the shoe centers.

"The increased focus and expertise provided by the arrangement with J. Baker will substantially improve the volume and profitability of the shoe centers in our stores," said L.H. Harvin III, Rose's chairman and ceo.

HOME PRODUCTS

Housewares • Domestics • Photo • Consumer Electronics • Home Office • RTA Furniture

Closet Organizer Chains Step Out

Specialty Outlets Explore New Markets

By Mary Ellen Kelly
Nationwide DSN Report

Look out full-line discount, home center and department store retailers: the organizer specialty store industry is weaving its way into the fiber of most major markets in the United States and is ready to pull the rug out from others that sell organizer products.

The one-two punch: providing not only unparalleled services, but also competitive pricing on basics.

The organizer specialty store business is dominated by a couple of large companies, but today's small operators are evolving into chains and many single-unit firms have come together and formed a buying group called the Storage Sources Group.

Williams Sonoma's Hold Everything stores and catalogs are clearly in the lead in terms of staking out market share. The synergy between Hold Everything and the newly acquired California Closets custom installation firm is expected to propel this Williams Sonoma duo light years ahead of competitors.

Manufacturers are responding to this growing contingency by working with specialty chains for customized product that can be sold in a full-service retail environment.

Kent Heltne, Eastern regional sales manager with vendor Lee/Rowan said the company is already supplying some exclusive products to Hold Everything and provides private label products to several other retailers, often in the form of different product configurations.

"The specialty people have a great deal to do with new product introductions. We are very interested in their opinions," Heltne said, noting that the company brought together 12 of these retailers in St. Louis last October for a two-day conference. He envisions this idea interchange occurring every two years.

Organizer specialty stores were in the top third of leading growth channels for the manufacturer, based on year to date volume through June.

Lee/Rowan recently expanded its ventilated wire storage systems through the acquisition of Space Solvers from American Distributors of Chicago. The new product line is expected to add several million dollars to Lee/Rowan's annual sales.

Mike Reilly, vice president sales and marketing, of Chicago-based Selfix, said the company's business with specialty chains went from nearly zero to nearly $10 million through the acquisition of Independent Products Co. (IPC), this past June. He expects a doubling of specialty business by the end of calendar 1991.

"We perceive the future of organizer specialty chains to be quite healthy," Reilly said. Other acquisitions by Selfix are possible during 1991 that could continue the company's "thrust toward becoming a leader in organizer products," he added.

Bob Miceli, vice president sales and marketing at Corr-Pak, said his company's business with specialty retailers is growing in certain product areas. "We plan to further enhance our business in the specialty area," Miceli said. "We will be marketing products toward the specialty area in a much more intensive way in the next 90 days," he said, but would give no details.

Neil Balter, president of California Closet, told *DSN* it was the recognition that "ultimately the retail side of the business will be the driving factor of installation sales," which prompted Balter to join the Williams Sonoma fold. The first 12-foot California Closet section opened within a Hold Everything retail store in Washington, D.C., in June; a second was slated to open in Denver shortly before press-time.

Rivals Concerned by Merger

"Competitors are quite concerned about our combination," Balter said, referring to both the retail sales of Hold Everything merchandise and the availability of California Closet customized service. "We clearly have the opportunity to really control the home organization category."

Most of next year will be spent "combining the two companies," and incorporating California Closet into all Hold Everything stores Balter said, but he expects to open another two or three California Closet factory showroom locations as well. The company currently operates 96 franchised factory showrooms and five company-owned units.

Hold Everything, with stores in California, Washing-

(Continued on page 82)

A Sampling of Closet Organizer Specialty Chains

Chain, Headquarters	Stores 8/90	Stores 1/91	Average Purchase	1990 Sales	Prototype Size (In Sq. Ft.)
California Closet* Los Angeles	101	103	$1,250	$63M	4,500
Hold Everything San Francisco	18	23	NA	NA	1,800
The Container Store Dallas	8	8	15	NA	16,000
Placewares Boston	7	9	45	NA	24,000
Just Closets Menlo Park, Calif.**	5	5	24	1.8M	1,200
Hold It! St. Paul, Minn.	4	5	28***	4.0M	10,000
Spaces Chicago	4	4	30	NA	6,000
Closet Concepts Lexington, Ky.	2	0	65	NA	2,800

**Operates factory showrooms displaying custom installation options, not stores.*
***Largest franchiser of Petaluma, Calif. parent company; 8 units in chain.*
****Does not include sales of high-ticket closet installations.*

NA—not available. *Source: DSN research*

MARKETWATCH

Circuit City Sales Rise 15% in July

RICHMOND, Va. — Circuit City joined the rest of the pack, at least for the month of July, as its same store sales declined 1 percent, a rarity for the consumer electronics giant. Chief executive officer Richard Sharp said that the decline was due to there being one less Saturday in July '90 than in the previous July. Overall, the company's sales increased 15 percent to $183.9 million for the month. The company also announced that it would open its 12th superstore in San Francisco, and would also open two more Impulse ministores in Plantation and Palm Beach Gardens, Fla., in August. These will be the fifth and sixth Impulse mall stores in a test that has run for two years.

Office Stop Taps Investment Bank

SAN ANTONIO, Texas — Office Stop parent Office Products of America has hired the investment banking firm of Jesup, Josephthal & Co. to advise it on capital requirements for future store expansion, company president Thomas Klimback reported. He added that the company now expects to open five more stores by year-end to bring total store count to eight, but that financing after that has not yet been obtained. He added that the company cannot give assurance that such financing (and hence, expansion) will occur.

Pace Installs DuPont Carpeting

AURORA, Colo. — Pace Wholesale Clubs has introduced installed carpet departments in combination with DuPont. The departments, which premiered earlier this summer, offer DuPont products at $20.99 and $26.99 a yard, including pads and installation. For a $15 fee, the company will send a service representative to a customer's home to measure; a sample book is available for a $25 refundable deposit.

LIVE Entertainment 2Q Sales Jump

LOS ANGELES — LIVE Entertainment announced a 76 percent increase in second quarter sales over the previous year. Sales reached $144.5 million, with operating profits of $12.5 million, also a 76 percent increase. For the first six months, sales doubled to $292.8 million, and operating profits rose 86 percent to $23.7 million. Net income for the period rose 44 percent, to $3.9 million. However, chairman Wayne Patterson noted that profits were mainly attributable to the performance of the LIVE Home Video division. "These second quarter results demonstrate the strength of the home video division, especially given the fact that its most significant releases will occur in the second half," Patterson said.

Organizer Specialty Chains Explore New Markets

(Continued from page 81)
ton, Oregon, Virginia and New York, just opened its first locations in Colorado and New Jersey last month.

The Container Store, Dallas, was opening a new prototype store at presstime in Fort Worth, Texas. The new store is 16,000 square feet and is the first freestanding store of the eight-unit chain.

The prototype's unique architecture boasts a huge skylight set in the center of a steepled ceiling. A second prototype unit is slated for Plano, Texas, next spring. The company plans to expand all other stores as close to the new prototype size as possible, starting with its three Dallas locations.

The Container Store will be among the first to go outside the boundaries of its headquarters state. The retailer is said to be eyeing locations in Atlanta for stores by the end of next year. The new prototype also represents the largest multi-unit organizer specialty store format in operation.

At the other end of the spectrum is Spaces. While the company's 5,000-square-foot to 7,000-square-foot units are not the smallest in the market, it is one of few companies that are reducing the size of future stores somewhat. John Welnack, president and chief executive officer said the company is trying to adjust its assortment to be more upscale and focused as part of its "concentration on asset management," Welnack said. Two of the company's stores are in mall locations; the other two are in strip centers.

Hold It!, St. Paul, Minn., is another chain that is anticipating growth beyond its Twin Cities market by the start of 1992. Marvin Krichmar, general manager, said the company plans to open another two stores in the Twin Cities for a total of five stores before moving to a new market. While no decisions have been made, Madison, Wis., is under consideration.

Hold It! currently operates two stores in the Twin Cities area and two in San Diego. A third Twin Cities store is slated to open during the fourth quarter of this year. The retailer has not advertised much to date, but with the opening of the third store Krichmar said he expects to add television advertising to his radio and print ad budget.

The basic Hold It! concept has not been changed much since its inception, but recent adjustments in the mix reflect consumer buying trends and new competitors. "We increased space for laundry items like ironing boards and racks and decreased space for packing/wrapping and corrugated basics," said Krichmar. "A lot of packaging specialty stores cropping up now. Since these products were low margin and take up a lot of space, we trimmed the assortment," he added.

***The president of California Closet**, Neil Balter, said his customized closet service will be integrated into all Hold Everything stores. The chain was bought by Williams Sonoma earlier this year.* (DSN photo)

Hold It! is perhaps the only specialty store besides California Closet/Hold Everything stores that offers both retail sales and installation of customized organization systems.

Maynard Hale Lyndon and his wife Lu Wendel Lyndon have cultivated the Boston organization market by opening seven stores, with another two slated for next year. The expansion pace could pick-up if one of the chain's major investors, CML, Acton, Mass., decided to acquire the chain. CML is also a major investor in other burgeoning home fashions-oriented retailers.

Maynard Hale Lyndon told *DSN* the next logical place for expansion for Placewares is Connecticut. The first Placewares in Connecticut could open by 1992. The retailer operates a 16,000-square-foot distribution center and owns its own trucking fleet. Lyndon estimated he could cover the entire New England region with the single DC.

Doubts Cast on '89 NHMA Survey

CHICAGO — The housewares industry is in the throes of a major retail shake-up, if the just-released data from the National Housewares Manufacturers Association (NHMA) is on target. The association itself, however, has cast doubt on the accuracy of its annual statistics and is planning to completely overhaul the entire approach to the yearly survey it sponsors.

This year's data is preceded by a disclaimer which warns that the survey is: unaudited; based on a small survey population and a group that is different from the previous year.

Kimberly Rawn, NHMA's director of communications, said the trade association is accepting recommendations from other researchers and statisticians, and could ultimately choose to work with another research group. Deloitte & Touche and the firm's Braxton Associates division have undertaken the NHMA annual study since it replaced Chicago-based B. Angell & Associates three years ago.

"We're looking to provide solid information that everyone can agree about. It might mean taking a niche approach rather than a broad brush approach," said Rawn. "We have a real ambitious task ahead of us."

The NHMA is also going to be conducting a "needs" assessment to determine what the trade group should be doing for its membership. "The membership sees us more as a show sponsor and we need to be significantly more than that."

The housewares industry as a whole grew 9.4 percent between 1988 and 1989 to $38.5 billion (in manufacturer sales), a drop in the growth rate from 1987 when volume had grown by 12.6 percent.

Housewares sales through discount chains were reported to be 16.2 percent of the total volume in 1989, as discounters retained their long-standing industry dominance. The 1988 survey population had estimated discounters represented 27.5 percent of total housewares sales.

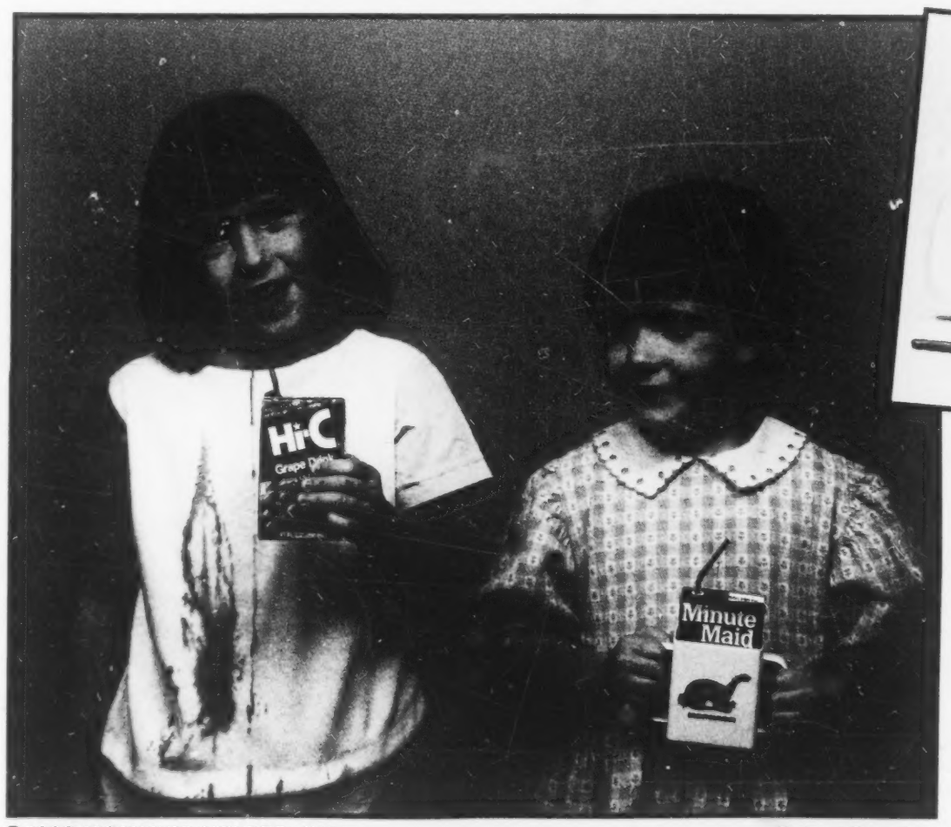
Mail order, gift/novelty shops, home furnishings & appliance stores, home centers and manufacturer outlet stores were more important to the 1989 survey group. If the two years were compared, many of these retail channels more than doubled their percentage of total housewares business.

One of the areas where the NHMA survey results is most questionable is in furniture sales. In 1988, discount chain had been the No. 1 channel for furniture sales. Last year, according to the survey, they were not even among the top three types of stores for sales of furniture.

Mail-order houses were the No. 1 furniture outlet last year with department stores and home furnishings stores second and third. Consumer familiarity with ready-to-assemble furniture combined with a dramatic increase in the number of direct mail retailers that offer RTA may have resulted in significant growth. While percentage growth was probably very high, it is doubtful that mail order could actually have usurped discounter's top position in the category.

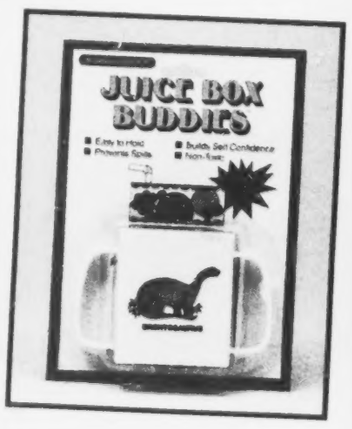
In 1988, discounters had been tops in sales of cleaning products, but were superseded by both wholesalers and supermarkets in 1989. If the results from the two surveys could be compared, department stores reclaimed dominance in cookware and bakeware, while discounters took back sales of kitchenware and accessories from supermarkets.

A Solution to a Messy Situation!



JUICE BOX BUDDIES

JUICE BOX HOLDERS



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Market Woes Force Pamida To Postpone Sale of Stock

(Continued from page 1)

Indicative of stock market turmoil, worsened by the Iraqi invasion of Kuwait on Aug. 2, the bellwether Dow Jones Industrial Average plunged 439.6 points from its high of 2,999.79 on July 17 to 2,560.15 on Aug. 22, for a 14.7 percent loss.

"Subject [to market conditions] and doubtful" is how a brokerage executive assessed Pamida's prospects at presstime for once again going public, at least until the market regains its feet. After the Dow dropped 50 more points the morning of Aug. 23, the executive said you can "put Pamida's IPO on the back burner."

Even without the IPO, Pamida will be able to continue its past expansion pace with internal cash flow, said president Frank Schlosser. Depending on the stock market, Pamida still hopes to go public, he said.

Management wants to take Pamida public to increase its "ability to grow the company," Schlosser said.

Management, which holds a 12.3 percent stake, isn't selling its shares, Schlosser said. Citicorp Venture Capital, which holds 21.9 percent, and other venture capital partners are selling 1 million shares because of regulatory reasons, Schlosser said.

Pamida plans to issue 3 million more shares for a total of 4 million to be sold to the public, or half of the 8 million shares that would be outstanding. At the anticipated price of $14.50 per share, Merrill Lynch pegs the market value of Pamida at $116 million.

Yet, Pamida today is worth about $300 million, Schlosser said, compared to about $170 million paid four years ago in a management-led LBO. "We've realized a nice value for the company," he said.

Over the past 10 years, Pamida has recorded substantial growth in sales and profits, he said. Sales rose from $333 million in 1982 to $621 million last year, for an 8 percent compounded growth rate. Operating profits rose to $36.3 million from $9.3 million.

Pamida, now operating 173 stores averaging 25,000 square feet, was a public company from 1969 until 1981, when employees bought the chain from founder J.D. Witherspoon for $55 million. The Employee Stock Ownership Plan was financed with borrowed money. In July 1986, management, including Schlosser and chairman and ceo C. Clayton Burkstrand, bought Pamida from its employees in a second LBO for $168 million. Citicorp Venture Capital, which holds a 21.9 percent stake, arranged the debt financing that now dampens net profits. Burkstrand and Schlosser hold an 11.1 percent stake between them.

If the IPO goes through, Pamida would use $39 million of the net proceeds to reduce long-term debt and apply the balance to stockholder's equity, states a preliminary stock offering prospectus. Debt, both short and long term, stands at $210.7 million and stockholders equity at $8.5 million for a debt to equity ratio of almost 25-to-1.

After the stock issue, debt would stand at $178.8 million and equity at $45.2 million, for a pro-forma debt to equity ratio of 4-to-1.

In 1989, Pamida earned $36.3 million in operating profits, or 5.9 percent of sales.

Interest expense, however, gobbled four points of that and income taxes 0.9 percent more, reducing net profit to 1 percent of sales, or $4.7 million. Following the LBO, interest expense rose more than four-fold from $5.3 million in 1986 to $24.9 million in 1987.

Merrill Lynch Capital, its IPO underwriter, projects selling 4 million shares at $14.50 per share, or a few pennies less than tangible book value of $14.57, but estimates the price could range from a low of $13 to a high of $16. Total shares outstanding would be 8 million, leaving a 50 percent stake in the chain in public hands.

Pamida is attempting to increase profits by enlarging its stores so they can carry more apparel that offers better margins. Soft lines accounted for 28 percent of sales in 1989, hard lines, 66 percent, and food, 6 percent.

The chain also wants larger stores so it can offer additional pharmacy and eye care services, a major customer draw. Pamida now operates 21 pharmacies, and 31 other stores offer either pharmacies or vision centers, or both, through leased operators.

But 45 percent of its stores, or 77 units, measure less than 25,000 square feet, against the desired prototype of 35,000 to 40,000. Indeed, 22 stores, or 13 percent, range from just 5,000 to 15,000 square feet. Over the past nine years, Pamida has closed a net of 13 smaller stores while increasing total square footage 23 percent to 4.3 million from 3.5 million.

The chain hopes to increase expansion to 15 stores next year from an average of seven over the past five years, the prospectus states. For fiscal year 1990, it spent $14.1 million for new stores, remodeling and other capital expenditures, a sharp increase from $5.2 million in fiscal 1989 and $1.5 million in fiscal 1988.

For locations, Pamida prefers small town county seats, averaging 8,000 in population, in its 12-state operating territory. It has targeted 50 more such towns for expansion.

About half of its stores are in Iowa, with 45 units, and Minnesota, 41. Other major markets are: Wisconsin, 17; Nebraska and Wyoming, 15 each; and South Dakota, 12.

Circuit City Set to Plug In Auto Dept.

(Continued from page 1)

acoustically perfect and visually interesting car accessories "stores within stores" approximately six months before Christmas of 1988.

The first opened in November of that year in the Fort Lauderdale market, which Circuit City was in the process of invading. Less than two years later, over 65 of the new departments are in place and perhaps double that will be in operation by the end of next year.

According to Gross, the parameters of the assignment were clear and unambiguous. "The department had always been called car stereo, but with the introduction of products like cellular telephones, high-end speakers, alarms and navigational devices, the approach was no longer appropriate," she said. "Automobile products were spread all around the store, with no cohesive image. Circuit City wanted to create an environment that would promote sales of a wide spectrum of products, in a lifestyle setting."

The result, after months of consultation with fabrication, acoustic and product experts, is a 750 square foot, fully prefabricated shell that can be dropped into any Circuit City superstore in a matter of days, and become fully operational within two weeks. The new departments replace the old car stereo rooms and nurseries formerly used to entertain shoppers' children.

"I think Circuit City came to us because prefabrication is our specialty," Gross said. "We could remove the departments from the normal construction process [including the variability of local contractors], cost it out, and guarantee acoustic quality and on-time delivery." Those qualities were important to Circuit City, whose own store planners were heavily involved in a national superstore rollout at the time.

The first 35 units (including one that was installed in Circuit City headquarters) were actually built by Dimensional Communications, a New Jersey exhibit technology firm. Since the perfection of the project, it has been shopped out to another vendor.

One of the keys to the new department is its flexibility. While fixtures can't be moved from place to place (due equally to wiring and architectural integrity considerations), panels, walls and fixtures can be "popped out" and replaced. For instance, a wall that now merchandises car alarms can, very quickly, be converted to a car navigation system merchandiser. Gross refers to this as "loose fixturing."

The departments contain a highly advanced, patented (by Circuit City) wiring system that allows salesmen to control dozens of functions from one remote control. Walls, displays, and all wiring connections are predrilled, so once the unit is in place, wiring experts can assemble the department and get it up and running very quickly.

"All skilled [construction] work is done off-site," Gross said. "They don't have to shut down stores at all; all work is done from behind, so the rest of the store can operate normally."

The department is of particular importance to Circuit City because the car accessories market as a whole is one of the few growth areas left in consumer electronics and telecommunications. "Americans are spending more and more time in their cars, and they're looking for better and better products to make the car feel more like home," Gross said. "We tried to build, in our design and materials, a department that would feed everyone's fantasy of what an ideal automobile environment would be like."

The result is a plush, high-tech look coupled with terrific acoustics, an environment inspired by fantasy cars like Lamborghini and Maserati. That approach has evidently spurred sales of this productive subcategory. "People like Circuit City don't judge architects by how pretty the result is," Gross noted. "They judge us by how productive the result is."

Seven Toy Companies in CPSC Suit

(Continued from page 6)

Whatever the reasons, Rumult said the toy companies are supposed to know the regulations and that the CPSC "expects that anything they [the retailers, distributors and importers] sell should comply with CPSC regulations."

The current cases "emphasize the need for American companies to ensure that foreign-made toys are of the same legally-required standards as U.S.-manufactured toys which are produced under tight quality controls," said Leslie Southwick, deputy assistant attorney general for the Civil Division of the Justice Department.

The violative products that brought about the lawsuit were all manufactured in the Far East, Taiwan primarily, but some also were sourced from Korea and Thailand. The products seized in this investigation were taken both from retail shelves and from port docks.

In 1989, the CPSC recalled 150 products totaling 34 million units. Each of these products violated any one of five statutes aimed at ensuring product safety. Among the products recalled were baby strollers, baby rattles, dolls, wind-up train sets and a variety of other children's toys and juvenile products.

In addition, 110 other products required corrective actions, many voluntarily removed from retail shelves, according to the CPSC.

Hills Signs with New Advertising Agency

(Continued from page 5)

little over $1 million, from $7.9 million a year ago. Net loss rose to almost $15.2 million, from $10.2 million in the year ago period.

For the first half of 1990, Hills sales totaled $910.8 million, up 9.9 percent from the same period last year. Same store sales for the two quarters rose 6.6 percent. The firm reported an operating loss of $4.8 million for the half, compared with an operating profit of $2.4 million a year ago. Net loss grew to $32.1 million for the period ended Aug. 4, up from $26.6 million in 1989.

"Earnings in the second quarter continued to be affected by higher expense levels associated with last year's increased rate of new store openings. We expect that these new stores will favorably impact operating results in the important second half of the year," said Stephen Goldberger, chairman and ceo.

"We have been encouraged by recent sales trends and our inventory continues to be well managed. We expect our new advertising programs and chainwide fashion refixturing to provide favorable operating results and assist us in meeting our goals going forward."

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Kmart: Logo Reflects Renewal

'90s Look Unveiled in Antonini's Hometown

By Tony Lisanti

MORGANTOWN, W. Va. — A new logo and a new store gave K mart chairman Joseph Antonini two big reasons to celebrate two weeks ago and clearly demonstrated his vision for the future.

Less than 24 hours after K mart unveiled its new corporate logo Sept. 12 in Oak Park, Mich., the nation's No. 1 discounter opened its first new store sporting the big red "K" here in Antonini's hometown.

The logo, or retail identity symbol, as it is referred to by K mart, is a key part of the $2.3 billion five-year modernization program announced last February.

More important, it is the most highly visible move to date that reflects K mart's commitment to enhance its image. It symbolizes the change from the negative connotations of the "polyester palace" moniker to the positive benefits of a more upscale environment that offers "a better shopping experience and more caring customer service."

"This is not a cosmetic change," Antonini emphasized of the overall strategy dubbed the 'K mart Renewal.' "The logo signifies to the customer that something exciting is happening at K mart."

This message, which Antonini said "reflects the dynamism and excitement of the company's commitment to renewal," was also clearly directed to all its employees. The hoopla of the logo unveiling in the parking lot of the Oak Park, Mich., store was broadcast live via satellite to all K mart stores.

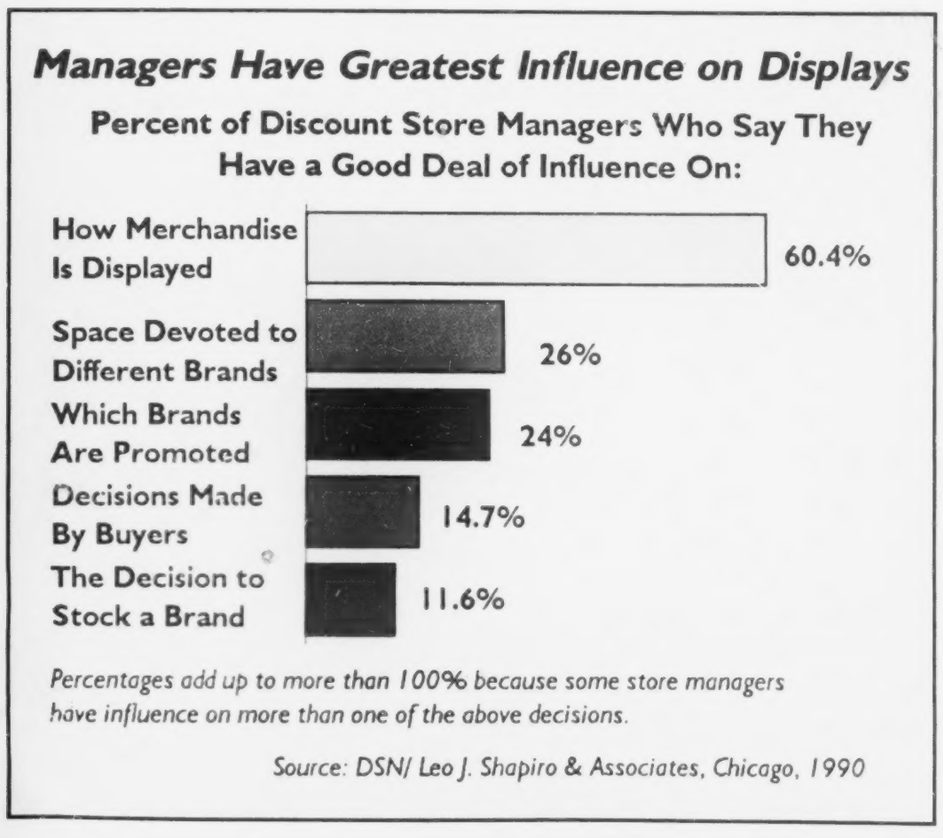
A full-page type-only ad which appeared in *USA Today* showed the old logo printed in blue changing to red with the following statement that echoed Antonini's remarks: "K mart has changed a lot since we opened our first store 27 years ago. Over 2,300 stores later, we're constantly

(Continued on page 119)

***A la Nordstrom's, a pianist** entertained shoppers during the recent opening of K mart's new upscale prototype in Morgantown, W. Va. K mart's chairman Joe Antonini (inset) poses with new logo, the big red 'K', during historic unveiling in Oak Park, Mich.* (DSN photos)

Store Managers Flex Their Muscles

Exert Limited Influence on Merchandising Decisions


Managers Have Greatest Influence on Displays
Percent of Discount Store Managers Who Say They Have a Good Deal of Influence On:
How Merchandise Is Displayed
60.4%
Space Devoted to Different Brands
26%
Which Brands Are Promoted
24%
Decisions Made By Buyers
14.7%
The Decision to Stock a Brand
11.6%
Percentages add up to more than 100% because some store managers have influence on more than one of the above decisions.
Source: DSN/ Leo J. Shapiro & Associates, Chicago, 1990

By Don Longo
Nationwide DSN Report

Discount department store managers exert a significant, and perhaps to some industry observers, an unexpectedly high amount of influence over the merchandising of products in their stores.

Nine out of 10 managers polled in a recent study by *DSN* said they have some influence on at least one of the following factors:

- The way merchandise is displayed;
- The amount of space devoted to different brands;
- The selection of brands to be promoted;
- Decisions made by buyers;
- Whether or not to stock a particular brand of merchandise in their stores.

However, the study, conducted for *DSN* by Leo J. Shapiro & Associates, Chicago, makes it clear that most of the managers' real influence is limited to the way merchandise is displayed in their stores.

Two-thirds of the discount store managers polled said they exert significant influence on merchandise display, compared with only about one-fourth who said they can sway decisions on space allo-

(Continued on page 120)

With K mart, Office Chain Set to 'Max'-imize Growth

By Laura Liebeck

TROY, Mich. — The sale of K mart's Office Square division to Cleveland-based OfficeMax strengthens the position of the 35-store office supply retailer as a major player in this booming segment.

K mart is trading its five-store Office Square chain plus an undisclosed sum of cash to OfficeMax in exchange for a 22% equity position in the megastore chain. K mart also gets a seat on the chain's nine-member board.

The sale is expected to be

(Continued on page 119)

Wal-Mart's Pa. Beachhead To Anchor Northeast Push

YORK, Pa. — Wal-Mart has followed in the footsteps of General Robert E. Lee by invading the North.

Just 30 miles from the Gettysburg battleground that saw the high mark of the Confederacy, Wal-Mart is set to open Oct. 1 its first store in the Northeast and the largest of 1,440 units. It is located in the York Mall, where a Sam's Wholesale Club is scheduled to open its first Pennsylvania unit Oct. 22.

In a difference from Gen. Lee, though, look for no retreat from Sam Walton. Over the next 18 months, Wal-Mart

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MARKETWATCH

Sam's Retains Hot Diggity Dog Kiosks

BENTONVILLE, Ark. — Sam's Wholesale Club averted a publicity nightmare by agreeing to retain Hot Diggity Dog kiosks at 18 clubs in Texas and offering the lessee the opportunity to test new ideas at other Sam's. In August, Sam's had notified Hot Diggity Dog, which employs large numbers of handicapped and elderly workers, that it was replacing its hot dog stands with Wal-Mart run units. A hailstorm of criticism led to the agreement which allows Hot Diggity Dog to test expanded menus and pricing strategies at six new stands. If the experiment works, Sam's will allow the company to expand further.

Japan Toy Stores Gear Up for TRU

TOKYO — Japanese toy retailers have stepped up their endeavors to stymie Toys 'R' Us' effort to open stores in that nation next year and operate 100 units by the end of the decade. Eleven Japanese merchants have set up the Japan Association of Specialty Toy Shops to "provide support" to small retailers that will face competition from the American chain. TRU's drive to enter Japan gained momentum in May when the Japanese government eased its Large Retail Store Law that enabled local retailers to put up legal barriers to large chains entering their area.

The Warehouse Club Shuts 2 Stores

SKOKIE, Ill. — The Warehouse Club has shut its unprofitable Columbus, Ohio, and Versailles, Pa., units and expects to record about a $1.8 million write-off for the move in the fiscal year ended Sept. 30. The company said the closings should improve cash flow and increase inventory levels at its 10 other units. The Columbus store is to be sold and the Versailles unit is to be subleased. A proposed sale/leaseback refinancing deal involving six other stores is on hold as the purchaser "is having difficulties in securing the required financing."

Melville Completes Peoples Purchase

RYE, N.Y. — Melville Corp. has completed its $325 million cash acquisition of Peoples Drug Stores, a $1.02 billion business whose 490 stores in the Middle Atlantic states overlap the markets served by Melville's CVS chain. CVS has 820 drug stores, mainly in the Northeast, that generated $1.95 billion in sales last year.

Big Board Delists Best Products Notes

RICHMOND, Va. — The New York Stock Exchange, at Best Products' request, has delisted the cataloger's 12⅝ Senior Subordinated Notes due Dec. 1, 1996, due to the small number of notes outstanding. Of the more than $200 million in notes issued in December 1986, fewer than $2.4 million remain outstanding. These will continue to be traded over-the-counter.

EDI Yellow Pages Lists 38% More Firms

DALLAS — EDI, spread the word! has issued the sixth edition of the EDI Yellow Pages, an international EDI directory that listed 12,200 users of this technology in 52 countries, up 38.6% from the 8,800 users noted in the previous directory. The United States registry of users—retailers, vendors, transportation firms, manufacturing companies, etc.—increased 19.2% to 9,400 from 7,888. EDI Yellow Pages is available by calling (214) 243-3456.

Promo Group Discusses Relationships

NEW YORK — The Promotion Marketing Association of America will discuss successful promo partnerships with retailers at a luncheon Oct. 4 at the Halloran House hotel in New York. Panel members are Tom Kiley, gmm, Jamesway; Kevin McGiveny, merchandise manager, H&BA, Genovese Drug Stores, and Sid Zuckerman, vp, advertising, Waldbaums. Info: PMAA, (212) 206-1100.

Meeting Set for EDI Users Group

DAYTON, Ohio — The Uniform Code Council has set two meetings for the UCS/WINS/VICS EDI Users Group. One will provide overviews on these technologies and include case studies on Wal-Mart's QuickResponse program and on Sears Electronic Fund Transfer system. It will be held Oct. 25 to 26 at the Intercontinental Hotel, Miami. A separate implementors workshop meeting will be held Nov. 9 at the Walt Disney World Dolphin Hotel, Orlando, Fla. Information: UCC, (513) 435-3870.

QVC Integrates CVN Strategies

Starts Anytime Ordering, Easy Pay, QVC Card

By Arthur Markowitz

WEST CHESTER, Pa. — Teleshopper QVC has implemented three marketing strategies to make its retailing more attractive to cable shoppers while differentiating the service from its main competitor, Home Shopping Network.

The moves followed QVC's March 30th integration of the CVN teleshopping network into its own operation, boosting QVC's cable reach to 35.8 million homes from 16.1 million households at the time QVC was acquired for $463.6 million in October 1989.

QVC's three "sales-building strategies," all of which were programs successfully deployed by CVN, are:

- An order anytime policy, which went into effect last month, by which shoppers can order merchandise at any time as long as stock is available, not just when an item is being sold during a broadcast.

QVC sells merchandise in segmented programs, usually one hour long. It distributed a monthly program guide, so consumers know when specific merchandise will be sold, enabling them to tune into that segment or, under the new policy, tape the show for later viewing and ordering.

The introduction of the order anytime service required a major change in QVC's computer program. Its sales tracking system—just like competitor HSN's—was originally designed to record purchases just when the goods were being sold.

- An easy pay plan, started in July, allows customers to pay for selected big-ticket items on an installment basis over a few months.
- The introduction of a QVC charge card in May, underwritten by the General Electric Credit Corp., also made shopping easier.

QVC founder and chairman Joseph M. Segel told a New York Society of Security Analysts meeting that "the CVN consolidation temporarily disrupted viewership and looks longer to wrap up than expected." CVN shoppers haven't become QVC customers as quickly as the video retailer had projected, he added, "so we lost ground in April and May and we don't expect to overcome the losses despite a projected profitable fourth quarter."

He said the first-quarter and half-year losses would continue through the third quarter ending this month despite big jumps in sales due to

(Continued on page 119)

Target Kicks Off Fall NFL Football Promotion

MINNEAPOLIS — Target is blitzing the airwaves with TV spots about its seven-week fall promotion keyed on Monday Night Football.

In cooperation with Ultra SlimFast, Target is offering about 125,000 prizes in a scratch-and-win game based on game pieces handed out at checkout. In compliance with federal lottery rules, customers can play without having to buy anything.

If their cards show instant winners, they receive either tickets to the 1991 Super Bowl or a 27-inch Sony TV.

If their cards don't show an instant winner, they show a number that could be a football game final score. If that score is the actual outcome of the following Monday night football game, the winner gets a $5 Target gift certificate.

Ultra SlimFast is the major sponsor of the game and enjoys Target store banners, signage and product displays. Customers get cents-off coupons for future purchases when they receive their game card. Other co-sponsors are: Diet Coke, Nabisco's Oreos, Black & Decker, Gillette Sensor, Prestone anti-freeze and Castrol motor oil. Customers also get cents, or even dollars off, coupons for these products.

Target kicked off the promo with a three-day TV advertising offense, followed by TV spots during Monday night football games.

Having started Sunday, Sept. 2 in Target stores, the football promo runs through Oct. 15.

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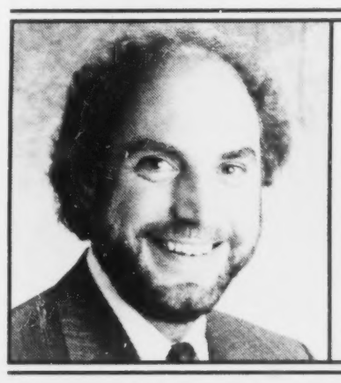
EDITORIAL

Busy Antonini Goes Back to the Future

It was definitely a wearying few days for K mart chairman Joe Antonini. But admittedly, Antonini savored and enjoyed every minute.

First of all, it was probably the first time the dynamic chief executive held a few press conferences and meetings at which he wasn't criticized or challenged or raked over the coals by the press. He didn't have to defend a poor sales report or a $6 million fine from the U.S. Customs Service. No, all he had to do was unveil a new logo, talk about one of the most significant changes in K mart history, and open a new store—not just 'another store' but a new prototype K mart in his hometown.



TONY LISANTI
Editor

You could say it was just another day at the big red "K"; another day in the life of a ceo. But it wasn't. These two days were different.

On Sept. 12, K mart unveiled its new logo. Antonini, of course, was there to orchestrate the hoopla and he loved every minute of it. In the parking lot in front of the Oak Park, Mich., store—the first store with the look of the '90s—almost every K mart executive gathered proudly and listened as Antonini discussed the future. He answered questions and posed for pictures in front of the new logo from almost every angle possible. Photographers asked him to move to the left, look up at the logo, hold his hand up towards the logo, and he happily obliged every request—except when I asked him (jokingly) to go up on the roof!

The following morning Antonini was at the new store in his hometown, Morgantown, W. Va. A heavy fog had rolled in and Antonini was lucky that he decided to fly into Morgantown with his family the night before. But, there he was doing the same thing all over again. He unveiled the logo, answered a lot of questions, posed for dozens of pictures, and talked a lot about the future.

It truly was a homecoming. He couldn't take a step through the store or the Morgantown Mall without an old friend stopping him to shake hands, say hello and bring back some fond childhood memories. Two elderly women handed him a card which contained a newspaper clipping of Joseph Edward Antonini as a baby. Another friend had Joe telling stories about their high school basketball team.

Walking through the Morgantown Mall Antonini said, "Look how K mart has changed in the past few years, and this is just the beginning."

For Antonini, it was a momentous occasion. For K mart, it was a milestone in its history. For both, it was the vision of the future.

That's why these two days were different. They symbolized the new spirit at K mart that Antonini has instilled in the company over the past few years. They symbolized the new image of K mart that the discounter so desperately wants to improve. They symbolized the new K mart that will emerge over the next five years as the $2.3 billion modernization program is implemented.

The only question is will how these two days will be viewed in 1995.

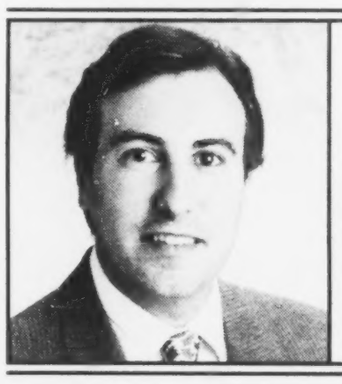
P.S. There are many things that are different at K mart. In its year-end issue, *Discount Store News* will present "A Day in the Life of K mart." It will be a exclusive look at K mart's strategies of the '90s, and Antonini's vision of the future. *DSN* editors will travel nationwide meeting with key K mart executives discussing how they personally view the vision and how they will execute it. If you have any views about K mart, fax them to me at (212) 838-9487.

BUYERS & SELLERS

New Kmart Logo Goes Way Beyond Cosmetics

The fanfare with which K mart announced and unveiled its new corporate logo may at first glance appear to be much ado about nothing. After all, the new logo, basically a large red "K" with the word "mart" running in script diagonally across the front of the K, is no great revelation. It may not draw a single additional customer into the store.

However, this simple change on the exterior of the store masks a revolution that is going on inside the four walls. The K mart of the '90s, is nothing like the K mart of yesteryear.



DON LONGO
Exec Editor

Indeed, the K mart of the '90s (as represented by its new prototype stores, such as those in Oak Park, Mich.; Virginia Beach, Va.; Morgantown, W. Va.; Mt. Pocono, Pa.; and Jacksonville, Fla.) is larger, easier to shop, and more attractive than the old K mart that over the years has become a favorite target for the barbs of late-night comedians and has been put down by snide remarks in several movie scripts.

The new identity symbol "keeps K mart in step with the times and reflects the dynamism and excitement of the company's renewal," said chairman Joe Antonini.

There is no way you can underestimate the importance of this change. The company is taking a substantial risk in changing a logo in which it has invested nearly 30 years of equity. Antonini admits that K mart has always had a strong and highly recognizable image. However, it is that image which Antonini is trying to change. Thus, the new logo makes a lot of sense, and the risk appears to be a calculated one. What has K mart to lose in changing a logo that represents an image the company is trying to shed?

After nearly a decade of covering retailing, I've seen prototypes come, and I've seen prototypes go. I'm really impressed with the commitment K mart is making to its new prototype. It doesn't hurt that sales productivity in these stores are running $40 to $50 per square foot higher than those stores were generating prior to being reformatted.

The actual cost of developing the new logo is a drop in the bucket compared to the $2.3 billion ante K mart has placed on the table to refurbish its sagging discount store network. But, when it completes the five-year new store opening, enlargement and modernization program, there will be more than 2,400 brand new K mart stores across the country. These stores will be exciting places to shop. They will offer quality, brand name merchandise at sharp discount prices. They will feature category-dominant departments aimed at reclaiming market share from the category killer specialty stores. They will be supported by a state-of-the-art technology systems and a distribution network driven by centralized merchandising from headquarters.

If Antonini can stay the course through the rough seas ahead, these changes will fashion a new K mart discount store chain—one that will no longer have to wince when Johnny Carson (or whoever is hosting "The Tonight Show" in 1995) needs an easy target for a cheap shot.

READERS' REPLY

DSN Editor Tony Lisanti recently wrote about some of the biggest lies in discount retailing (DSN, Sept. 3, page 8), such as "Just stack it on the shelf, it'll sell" and "A recession will help our business." We asked our readers to fax us some of the biggest lies they've heard. A sampling of the responses:

"Of course you can return it."
"If you need more of that color, it's always in stock."
"As soon as we get them in, we'll give you a call."
"Don't pay any attention to those rumors about us interviewing for your job."
"We always pay on time, you can't shut us off for overdue payment."
"Of course we'll accept delivery. Just call for an appointment."

If you have a good discount lie to add to this list, fax it to us: (212) 838-9487.

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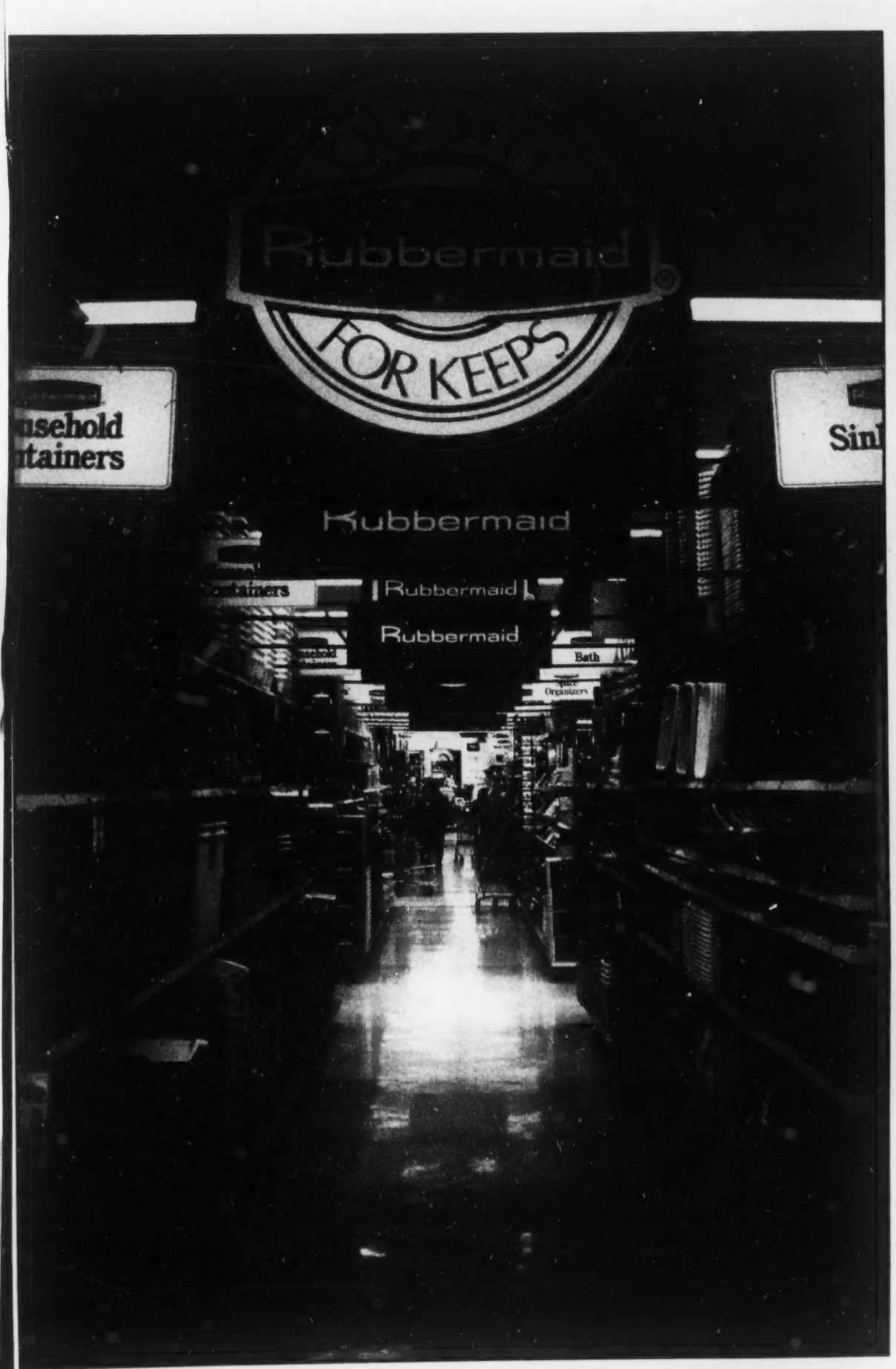
TOP BRANDS

Part I: Store Manager Survey

National name brand merchandise is the lifeblood of the discount store industry, and store managers' perceptions of their best performing brands go a long way toward deciding the ultimate sell-through success of those products. DSN's annual Top Brands survey ranks store managers' top brands in 18 product categories and identifies the reasons why managers feel their top performers succeed the way they do.



Long-standing brand leaders *like Rubbermaid (left, five years in a row) in housewares and Fisher-Price (top photo, also a leader for the past five years) in toys again led the list of top brands in their categories. However, in other categories, like consumer electronics (above), the top brands are ranked together very closely.*

TOP BRANDS

Part 1: Store Manager Survey

Growth in National Brands Accelerates at Discounters

The growth of national name brands at discount stores is accelerating at its fastest rate in four years. Now, more than ever, discount store shelves are being filled with an increasing number of national name products.

According to the results of *DSN's* 1990 Top Brands Survey, discount store managers across the country report that brand name products are on the rise, especially in such categories as health & beauty aids, ladies' apparel, housewares, men's apparel and toys. The study, conducted for *DSN* by Leo J. Shapiro & Associates, the Chicago-based market research firm, revealed that 48% of all store managers said their stores are offering more name brand merchandise this year than they did in 1989.

A year ago, only 42% of store managers said they carried more name brand products than in the previous year.

The current increase in branded goods follows three years of relatively lower growth. The 48% figure is the greatest increase in brand name merchandise on retailers shelves since 1986, when 48% of managers surveyed also said they were carrying more name brand goods than in the previous year.

This year, fewer than half the survey's respondents said branded merchandise stayed the same as in 1989 and 5% said it was less.

The 1990 Top Brands Survey features the responses of 301 discount department store managers nationwide. In July, the managers were asked a variety of questions concerning branded products in 18 product categories, one more than last year.

On the current survey, greeting cards was developed into a separate category apart from stationery. This was done to better identify the top performing brands in greeting cards and the characteristics of their success. Separating the entities also allows for greater insight on traditional stationery items such as notebooks, writing instruments and back-to-school and home/office supplies.

Overall, store managers were asked a battery of questions on branded products and the reasons for their success. The key questions were:

- What are your best performing brands?
- To what do you attribute the success of the top brands?

Managers also were asked to calculate brand growth over the previous year in each category and to forecast brand growth in the coming year.

And for the first time, managers were asked five different questions on the influence they have over the merchandise brands, displays and advertising in their stores *(see story on page 53)*.

The managers simply were asked to name all their top performing brands in each merchandise category. For example, a manager asked to name his or her best performing brands in the stationery category could have said "Mead, Stuart Hall and Cambridge." Therefore, each brand name would garner a "mention" and the brand with the highest percentage of mentions would be listed No. 1 on the Top 10 list for that category. Note that even though Cambridge is a division of Mead, it would stand alone as a separate brand name due to its mention by store managers as a separate brand.

The poll produced overall brand rankings of manager perceptions of top performing brands based on responses from all the store managers, for those who are considered conventional discount operators such as K mart, Wal-Mart and Ames, and for upscale discounters like Target, Bradlees and Caldor.

Rankings were also derived from manager responses in each of the nation's four regions and among managers of each of the nation's four largest discount chains—K mart, Wal-Mart, Target and Ames.

Overall, store managers named more brands as top performers in each category than they did a year ago, illustrating greater brand depth throughout the stores.

This year, the average number of brands named as top performers per department rose to 2.0, from 1.7 in 1989. The department leaders were household cleaners and chemicals, consumer electronics, and food, candy and snacks each with 2.5 brands mentioned per response. Toys, automotives and health and beauty aids were close behind with 2.4 brands per response. An average of 2.3 sporting goods brand names were mentioned by each manager and 2.2 housewares and cosmetics brand names were mentioned per manager.

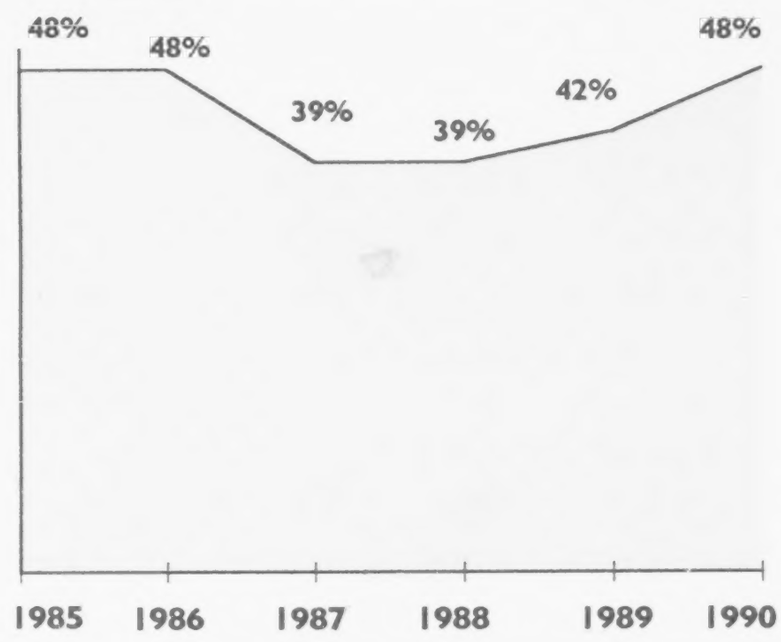
Departments with the least amount of top brands mentioned were children's apparel, 1.2, and greeting cards, 1.0 per respondent.

In many categories, the top one, two or three labels stand way out above the rest of the category's top performers, an improvement from year's ago when categories were domi-

(Continued on page 53)

National Brand Name Growth At Discounters

Percent of store managers reporting increase in number of name brands carried in their store:



Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Where Name Brands Are Growing

Percent of store managers reporting increase in number of name brands carried by department.

Department	1990	1989	1988	1987	1986
Health & Beauty Aids	21%	17%	21%	21%	17%
Ladies' Apparel	18	17	13	10	16
Housewares	16	14	23	24	20
Men's Apparel	15	14	15	11	14
Hardware	9	14	9	8	11
Consumer Electronics	7	8	5	8	9
Household Chemicals	7	7	7	NA	5
Automotives	5	5	4	6	3
Children's Apparel	5	4	6	3	3
Sporting Goods	5	3	10	11	9
Toys	5	2	2	4	4
Cosmetics	4	4	7	10	6
Domestics	3	3	2	3	4
Food, Candy, Snacks	3	1	5	2	5
Photo, Camera	1	1	1	1	2
Stationery	1	1	2	NA	NA
Personal Care Appliances	1	1	NA	NA	NA
Greeting Cards	0	NA	NA	NA	NA

NA—not available *Source:* Discount Store News/*Leo J. Shapiro & Assoc.*

National Survey Reveals Store Managers' Top Performing Brands

Automotives ***101***
Pennzoil
Quaker State
Fram

Consumer Electronics ***69***
Pennzoil
Quaker State
Fram

Cosmetics ***65***
Maybelline
Cover Girl
Revlon

Domestics ***73***
Cannon
Peperell/Lady Peperell/Westpoint
J.P. Stevens

Food, Candy, Snacks ***111***
Frito-Lay
Hershey's
Planters

Greeting Cards ***109***
American Greetings
Ambassador
Gibson

Hardware ***105***
Black & Decker
Stanley
Glidden

Health & Beauty Aids ***95***
Crest
Colgate
McNeil Labs

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Discount store managers nationwide named their best performing brands in 18 merchandise categories, in a poll conducted for Discount Store News *by Leo J. Shapiro & Associates.*

TOP BRANDS **PART I**

Price Looms Larger As Key to Brand Success

Good, low prices gained importance last year as a major ingredient in the success of a national name brand at retail.

While still the No. 4 characteristic behind advertising, brand recognition and product performance, price is a vital part of building a top performing brand, according to responses from store managers polled for *DSN*'s 1990 Top Brands Survey.

In fact, two-thirds of the managers reported that they attribute the success of their top performers to price, three times the responses recorded in the 1989 survey.

Managers also stressed the added importance of advertising, product performance and brand recognition in the current survey. Response levels for the three top attributes of a best performing brand more than doubled for advertising and brand recognition and nearly tripled for product performance.

Obviously, what store managers are saying is that the equation of quality name brand products plus good, low prices equals value. Each must be present to produce a winning product.

In addition, consumers have altered their buying habits to accommodate their new shopping philosophy: buying the best for the least. The allure of high-priced stores has waned since many of the same brands can be purchased at other stores.

Of the Big Four discounters, price was most important to Wal-Mart managers. Seven out of 10 Wal-Mart managers reported that price was an attribute of their top performing brands, compared with six out of 10 managers at K mart, Ames and Target.

Strangely, though, for Ames managers, price was not as big a consideration as it was for the other discounters. Only four out of 10 Ames managers said price was an attribute of a top performing brand.

Overall, price was a bigger concern for conventional discounters than it was for upscale discounters. Six out of 10 conventional discount managers said price was an attribute of a top performer, compared with five out of 10 upscalers.

For Target, though, price was as important an ingredient to a product's success as it was for conventional discounters. Six out of 10 store managers said price was an important attribute to building a top performing brand.

K mart managers gave price the same importance as all conventional discounters. Two-thirds of the respondents said price was an attribute of top performing brands in their stores.

Of the 18 product categories surveyed in the current report, price was an ingredient in all but one category: household cleaners and chemicals. When store managers were asked specifically about the attributes of top performing brands in the cleaners category, price was not mentioned. For household cleaners, advertising was listed as the key reason for a product's success.

Price was named as the No. 1 attribute to a product's success in the personal care appliance category. Nearly one-third of the surveyed managers said price was an important factor in building a top performer, compared with roughly one-quarter each for advertising, product performance and brand recognition.

Of all the products mentioned by managers as top performers, Windmere was reported to be the most price-sensitive, with three-quarters of all store managers saying price was a reason for the product's success. Emerson, a consumer electronics brand, was second with two-thirds of the managers responses, and Conair, another personal care appliance label, was third with one-half of the managers naming price a vital ingredient to the brand's success.

Overall, advertising was mentioned by store managers as the No. 1 attribute of top-performing brands, edging out brand recognition, just three-tenths of a percentage point back. Product performance was third, three percentage points behind brand recognition. Advertising was named as the primary ingredient to a product's success in five of the 18 product categories.

Brand recognition became the most important attribute to a product's success in 11 of the 18 categories, particularly photo and camera, domestics, and food, candy and snacks. In each of those categories, roughly four in 10 store managers named brand recognition as an attribute of a top-performing brand.

Advertising programs appeared to be most important in health & beauty aids, ladies apparel, household cleaners and chemicals, and photo.

Product line variety was listed as the main attribute of a successful greeting card department and price was the No. 1 ingredient in making a prosperous personal care appliance category, according to survey responses.

The brands most sensitive to advertising appear to be Johnson & Johnson and Crest brand H&BA products, according to manager responses. Almost eight out of 10 managers said advertising was a prime ingredient to the success of Johnson & Johnson brand products, followed by seven out of 10 managers who named Crest. Remington, a personal care appliance label, was third, with nearly seven out of 10 responses.

Brand recognition was most closely associated with Polaroid camera and photo equipment, according to manager responses. Nearly nine out of 10 respondents mentioned brand recognition as an attribute to Polaroid's success. Spalding sporting goods was second with three-quarters of survey respondents. Brand recognition was also a prime attribute for Wilson brand sporting goods.

This special report, 1990 Top Brands: Store Managers Survey, was written by the entire *DSN* staff under the coordination of senior editor Laura Liebeck. Part II of the survey, 1990 Top Brands: Consumer Survey, will appear in the next issue. The Consumer Survey reports on the top brand preferences, by product category, of the nation's discount store consumers.

Both studies were conducted by Leo J. Shapiro & Associates, the Chicago research firm.

National Brands Accelerate Growth

(Continued from page 37)

nated by one or maybe two labels. In those cases, however, the rest of the brands are closely grouped together.

There were a number of categories where the dominance of a few brands did overpower the other labels in the category. Chief among them were hardware, photo & camera, and greeting cards.

Black & Decker and Stanley received nearly the same high level of mentions this year as top performers in hardware, more than nine times the response rate of No. 3 Glidden. But in keeping with the overall trend, the third to 10th-place hardware brands received about the same response rate from managers, making any ranking of the remaining labels fairly useless.

Kodak again dominated photo & camera with a response rate two and a half times that of No. 2 Canon—which edged out No. 3 Polaroid, which eked by No. 4 Minolta.

In greeting cards, store managers named American Greetings more than twice as often as No. 2 Ambassador which led No. 3 Gibson 3-to-1.

Yet, there were instances where a single brand name did not overwhelm a category. These merchandise categories feature a group of top performing brands that are closely linked in managers' minds.

For example, in the children's apparel category the list of top performers resembled a horse race. Seven brands are literally neck-to-neck. The consumer electronics category produced similar results, with the top six brands receiving almost indistinguishable results.

***Although Gitano did** consolidate its position among store mangers surveyed as the top-performing brand in ladies' apparel, the category is still fluid enough to accept newcomers.* (DSN photo)

TOP BRANDS REPRINTS

PART I: Top Brands Study: Store Manager Survey
Oct. 1 Issue Features Store Managers' Ranking of the Top Performing Brands In Each of 18 Product Categories

PART II: Top Brands Study: Consumer Survey
Oct. 15 Issue Features Discount Store Consumers' Preferences for Name Brands In Each of 18 Product Categories

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TOP BRANDS

APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Gitano Enhances Place in Women's Wear

Gitano led this year's Top Brands Survey of ladies' apparel by its widest margin yet and has managed to hold this title among managers of both conventional and upscale discount stores and in most regions of the United States.

Four out of 10 store managers said Gitano was among their best performing brands in ladies' apparel. At upscale discounters, half of the respondents said it was a top label.

Gitano has been flip-flopping from first and second place in the category for the last five years, battling it out with Lee. But the firm has never shown such a wide disparity between itself and its closest competitor.

Lee was No. 2 overall for the second year in a row. This brand trailed Gitano among all managers polled and at conventional discounters. It stayed close to the top with gains at upscale discounters especially. To its credit, Lee has also maintained its stance in either first or second place for the last five years.

Rounding out the Top 10 are Chic, Hanes, Jaclyn Smith, Bobbie Brooks, Wrangler, Fruit of the Loom, Bonjour and Jordache.

At Wal-Mart stores, Gitano even managed to edge out Bobbie Brooks, Wal-Mart's own store brand. Half of the respondents from Wal-Mart made mention of Gitano as a top performing brand, while only one-quarter of those cited Bobbie Brooks as among their top performers.

At K mart, however, Jaclyn Smith, the long-standing house brand of the nation's largest discounter, led the category, followed by Gitano.

Hanes, Bonjour and Jordache joined the Top 10 list this year, its first change in several years. Hanes came in fourth place, with an especially strong gain among conventional discounters.

The success of Bonjour and Jordache, which last made the Top 10 in 1987, was due mainly to performances at conventional discounters. Neither was named by upscale discounters.

The newcomers replaced Levi's, Playtex and Cape Cod, though these still came in 11th, 12th and 13th, respectively.

Despite what some industry observers may say, the survey indicates that jeans continue to be an important product category. Aside from the two retailer-owned brands, six of the 10 labels on the Top 10 list are jeans brands. In fact, 12 of the total of 24 brands mentioned by the store managers were jeans brands. The other jeans labels included Levi's, Brittania, Sasson, Gloria Vanderbilt, Calvin Klein and Braxton.

This listing may be slightly deceiving because many major jeans brands, including Gitano, have expanded beyond just jeans into all levels of the ladies' and juniors' market.

Another trend is confirmed on this survey by the evidence of fleece labels. With Fruit of the Loom in eighth place and Hanes coming in at fourth, the survey reveals the importance of basics at retail.

Which basics are important has changed, however. Playtex, which last year ranked 7th, dropped off the Top 10. Playtex is the only foundations brand named in the list of 24 brands.

Gitano managed to easily capture the Northeast, South and North Central regions. It came in second in the West, where K mart's Jaclyn Smith was mentioned most often. Regionally, this was consistent with last year's findings.

The West seems to be the most precarious market for Gitano in all of its divisions. For its ladies' line, five percentage points separate Gitano from first-place Jaclyn Smith. More worrisome for the company may be that only two percentage points separate it from third-place Chic in that region.

Lee came in second in both the Northeast and the North Central regions.

Predictably, Bobbie Brooks came in a strong second in the South, definitely Wal-Mart territory.

The South seemed to be the region that gave the newcomers to the Top 10 list the most impetus. All three newcomers seem to have fared especially well in the South. In this region, both Jordache and Bonjour had their strongest showing. Hanes was a consistent third in the South, Northeast and North Central areas.

While Gitano sits comfortably on top, the jockeying for position was more interesting in the Nos. 2 to 10 spots, especially in the individual stores.

Lee, No. 2 overall, ranked second at Ames and Target, but trailed Chic at K mart.

Hanes, which held a respectable third position at Wal-Mart and Ames, was only sixth at Target.

Despite the familiarity of the names appearing on the survey, brand recognition trailed far behind advertising as the leading reason for a label's success.

The past few slow retail seasons may have left a bad taste in some retailers' mouths, and that it does pay to advertise.

Of all the apparel areas, the ladies' category was the only area that advertising came before brand recognition. Specifically, the stores' own advertising was most often mentioned as a performance contributor. This is a switch from last year's survey when vendor advertising was rated more important. On the current survey, manufacturers' ad campaigns trailed brand recognition as a deciding factor in brand performance.

Wal-Mart and K mart again managed to show their priority differences in their responses. After advertising, Wal-Mart managers cited good prices as essential to its successful brands.

At K mart, product presentation ranked higher in determining product performance. It followed store advertising. For this chain, brand recognition came third.

Ladies': Top Brands Vary by Type of Outlet

Brand	All Discounters 1990	All Discounters 1989	Conventional Discounters 1990	Conventional Discounters 1989	Upscale Discounters 1990	Upscale Discounters 1989
Gitano	44%	30%	42%	27%	53%	42%
Lee	19	25	17	25	30	27
Chic	16	10	16	10	17	12
Hanes	15	2	15	1	15	4
Jaclyn Smith	13	11	15	14	—	—
Bobbie Brooks	9	7	10	9	—	—
Wrangler	8	5	8	5	6	10
Fruit of the Loom	6	4	5	4	13	7
Bonjour	4	1	5	1	—	—
Jordache	4	1	5	1	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

'In the Spirit of Family,' Gitano led in ladies' apparel, while Jaclyn Smith (below) led category for K mart. (DSN photos)

Ladies': Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Gitano	48%	56%	37%	23%
Lee	24	11	30	8
Chic	17	13	17	21
Hanes	18	13	20	8
Jaclyn Smith	4	10	13	28
Bobbie Brooks	—	18	3	3
Wrangler	8	8	5	10
Fruit of the Loom	4	6	11	—
Bonjour	—	9	2	—
Jordache	1	9	—	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Ladies': How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Gitano	18%	75%	73%	58%
Lee	4	—	51	36
Chic	13	—	15	33
Hanes	9	20	20	8
Jaclyn Smith	49	—	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Fisher-Price Leads Category in Kids' Duds

Gitano and Wrangler, brand names familiar to adults, have appeared for the first time on *DSN*'s Top Brands list in children's apparel.

Store managers from both conventional and upscale discount stores gave the two popular brands high marks for being good performers in the children's apparel category. Apparently, parents want these labels and they will readily buy them for their children. These factors coincide with the increasing trend at discounters to focus on national brands.

Demographics would also explain the results in this category. The current baby boomlet is increasing the demand for more products with fashion labels. Gitano, especially, is proving a formidable upstart in the children's area.

This is one category where there appears to be no clear-cut winner. Many labels did well depending on the store and the region.

Fisher-Price led the category overall, with Lee coming in second. Interestingly enough, Fisher-Price fared better at conventional discounters, while Lee did better at upscale discounters.

The rest of the Top 10 list, in order, included Gitano, Liberty, Wrangler, Gerber, OshKosh, Curity, Garanimals and Spencer's.

Of all the apparel areas, the children's category showed the greatest change. Health-Tex, a perennial favorite, is off the Top 10 list for the first time since 1986. This year, it ranked 12th.

Fruit of the Loom, which improved its stance in the women's and men's area, lost ground in children's. Also off the Top 10 list is Garan and Pampers.

Replacing these labels are Gitano, which ranked third in its first time on *DSN's* 1990 Top Brands Survey, Wrangler, Gerber and Spencer's.

***Fashion-minded baby boomers** want more labels for their children's clothing.* (DSN photo)

Infants', Toddlers', Children's: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Fisher-Price	12%	9%	13%	7%	9%	19%
Lee	10	13	10	13	13	11
Gitano	9	1	7	1	20	3
Liberty	9	6	11	7	—	—
Wrangler	9	2	9	3	8	1
Gerber	8	2	8	1	8	8
OshKosh	7	6	7	6	9	3
Curity	4	11	3	8	8	24
Garanimals	4	4	4	4	3	5
Spencer's	4	2	4	3	—	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Infants', Toddlers', Children's How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Fisher-Price	9%	38%	—	14%
Lee	2	5	20%	11
Gitano	2	10	17	11
Liberty	2	35	—	—
Wrangler	4	13	3	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Infants', Toddlers', Children's Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Fisher-Price	4%	20%	9%	9%
Lee	19	7	14	3
Gitano	16	11	8	2
Liberty	4	20	3	—
Wrangler	7	7	10	14
Gerber	5	11	6	5
OshKosh	9	3	11	9
Curity	—	3	7	3
Garanimals	—	8	2	—
Spencer's	5	3	4	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Lee a Consistent Performer

Though Lee was ousted from first place in this year's survey, it landed in a respectable second place. To its credit, Lee has been the most consistent performer in the survey. The label has stayed in the top five since 1986, and topped the list for the last two years. Even in the current survey, it is only two percentage points away from first place.

Although Curity dropped to eighth place this year, if it were combined with Gerber—they are both part of Gerber Childrenswear Inc., Greenville, S.C.—it would have tied with Fisher-Price for first place, and only two percentage points more than second place Lee, reaffirming that the field is wide open in chidren's wear.

For all the movement in this category, the wealth is shared relatively evenly among the brands. While Fisher-Price and Lee are by far mentioned the most often, the other labels are running neck-to-neck. Even those not making the Top 10 list are doing well at certain chains.

At K mart, Fisher-Price and Spencer's are equally mentioned as top performers.

Lee and Gitano share equal billing at Ames.

At Target, the distribution is even greater, with Fisher-Price, Lee, Gitano, Gerber, Curity and Fruit of the Loom doing equally well at the chain.

Only at Wal-Mart is there a decisive winner. Fisher-Price was mentioned by one quarter of the store managers in that chain. Liberty came in a close second.

In total, respondents mentioned 26 different children's wear brands in the survey.

The scenario changes little when studied by region. Each region seems to have not one, but two favorites among the respondents. And again, those in third, fourth and fifth place are gaining ground quickly.

Fisher-Price and Liberty were mentioned by two out of every 10 store managers in the South. The South also had a tie for second place between Gerber and Gitano.

Garanimals also did well in the South, placing third in that region. It was not mentioned, however, by managers in either the Northeast or the West. Garanimals is another label that has maintained its showing in the Top 10, though off its high of four years ago when it led this category.

In the West, very fittingly, Wrangler ranked first among the brands. OshKosh and Fisher-Price tied for second.

Lee managed to secure a more definitive first place finish in both the Northeast and the North Central regions. Brand recognition and good price points were cited as reasons for Lee's success throughout.

Gitano placed second in the Northeast.

OshKosh was second in the North Central states. Though further down the Top 10 in the North Central region, when Gerber and Curity are added together they hold a firm second place showing. The two labels together are only one percentage point away from first place in this area.

Though Gitano did well overall, it had a poor showing in the West. The label ranked higher in the other regions identified.

Gitano's high placement in this year's overall survey was helped by its especially good performance at upscale discounters. It was the leading brand, by a wide margin, within this tier. Fisher-Price, with a narrower margin, was first among conventional discounters.

Both Liberty, which moved from sixth to fourth place this year, and newcomer Spencer's managed to place well based on its performance at conventional discounters alone. They were not mentioned by upscale discounters.

By the same token, a poor performance at upscale discounters by Curity managed to move that label from second to eighth place.

While Gitano proved the biggest mover at upscale discounters. Gerber was the success story at conventional discounters. Though it placed fifth in that tier, it showed the biggest jump in percentage points.

According to survey responses, the shifts of labels at conventional discounters were less dramatic and contributed to the even distribution of attention to the labels in this grouping.

While well-known fashion labels were added to the list this year, price was the most often mentioned reason for a label's success. That is consistent with the shopping habits of American parents.

Even those parents not traditionally considered discount store shoppers will buy their children's clothing at the local discount store. Parents dressing their children still want value—the right brand at the right price.

Wal-Mart and K mart store managers both cited good, low prices as the primary reasons for their leading brands' success. Brand recognition was more important to Ames and Target store managers.

K mart managers also cited advertising as an important factor to brand success at its stores, with brand recognition the third consideration.

Wal-Mart managers had advertising lower on its list of priorities, with brand recognition the second most important aspect of brand performance.

In the West, as a region, managers feel more strongly about the influence of advertising on children's brands. Respondents said they are more likely to attribute a label's success to advertising.

In the Northeast and the South, brand recognition was the more important attribute.

The more value-conscious North Central region rated low prices and brand recognition equally when attributing a label's success.

Top Men's Wear Brand Shuffle Positions

It was a close race in the men's wear brand rally. Fruit of the Loom just barely regained its 1987 position as the leading men's label in *DSN*'s 1990 Top Brands Survey, edging out Wrangler.

Fruit of the Loom rose to the top spot this year by jumping two places, ahead of No. 2 Wrangler and Lee, which led the top brands list in 1989.

The roster for the top five brands included the same names as last year, although somewhat reshuffled. Wrangler, a fraction off first place, stayed in second position for the fourth year. Hanes moved up to third from fourth place, where it had been since 1986, and Lee went from No. 1 in 1989 to No. 4 this year, its worst ranking since *DSN's* Top Brands Survey began five years ago. Levi's remained fifth.

In what has been a volatile men's market, both Fruit of the Loom and Levi's have two labels—Wrangler and Gitano, respectively—following so closely behind them that the slightest shift could mean a change in position.

Fruit of the Loom was mentioned as a top performer by 30% of survey respondents, while Wrangler was mentioned by 29% of managers.

Wrangler also did better with conventional discounters, while Fruit of the Loom, in a change from last year, performed better among the upscale discounters. The two were ranked just as closely last year, though then, Lee overshadowed both brands.

In the other photo finish in this category, both Levi's and Gitano were mentioned by 9% of the respondents. In fact, Gitano managed to overtake Levi's at upscale discounters, while still holding its own at conventional discount stores. Differences at specific stores attributed to the close races.

At K mart, for instance, Wrangler was the store leader, while at Ames, Lee ranked first in men's wear brands. Fruit of the Loom obtained its standing by being the leader at Wal-Mart and second at Target, which cited most often Brittania as a top performer.

Hanes made the biggest move in the survey from last year. A quarter of the respondents named it as a leading performer at their stores. The label has consistently done better at upscale discounters, but this year also bettered its position at conventional discounters.

The largest move downward was Levi's. The company's other brand, Brittania (No. 8 in the overall survey), would not have advanced Levi's placement, but added together would have given it a more secure fifth position.

While Levi's lost some momentum at both conventional and upscale discounters, Brittania gained ground in both sectors. Brittania did especially well at upscale discounters where on its own, it would have ranked fifth. Target store managers cited it most often as a leading brand.

The company that would have faired even better when its various brand names were figured together was Wrangler. Added to responses from the Rustler brand (ranked seventh in the survey), it would have been a clear leader in the men's category, garnering responses from four out of 10 managers.

At upscale discounters, the results were even better for Wrangler. Half the upscale discount store managers said Wrangler and Rustler together was a top performer. Wrangler itself lost some ground at conventional discounters. But, it scored higher than last year at upscale discounters, with mentions by one-quarter of that tier's managers.

The second half of the Top 10, in order, include Gitano, Rustler, Brittania, McGregor and Dickies.

Rustler is the newest addition to the list. It ousted Manhattan, which this year was mentioned by less than one out of every 10 store managers.

Dickies continued its downward slide. The brand ranked fourth in 1988, fifth in 1989, and fell to 10th place in the current survey. The brand did hold its own at Wal-Mart where managers placed it ahead of both Brittania and Lee.

McGregor also showed a slight decline from last year. However, the label faired better than Wrangler, Hanes, Gitano and Rustler at Ames, according to survey responses. It also garnered more mentions than Levi's and Gitano at Target stores. Interestingly enough, McGregor was mentioned by two out of 10 store managers in the Northeast, doing better in that region than Levi's, Gitano, Rustler, Dickies and Brittania.

Other regional differences were not as surprising. Fruit of the Loom led in the North Central region, but came in a solid second in the rest of the country. Wrangler led in both the South and the West and was mentioned by three out of 10 store managers in those regions. Rustler made the top five in the South.

Lee was mentioned most often in the Northeast, by four out of every 10 managers.

The survey's Top 10 list, however, is not the end-all list. There were many labels that did not make the comprehensive Top 10, but that individual stores cited as top performers.

The Big Yank brand, for instance, was mentioned by K mart managers more often than Lee, Levi's, Brittania, McGregor and Dickies.

At Wal-Mart, Reed st. James was mentioned more often than Lee, Brittania and Dickies.

At Target Stores, BVD was mentioned more often by that chain's store managers than Levi's and Gitano.

Not surprisingly, brand recognition and product performance were noted by the majority of retailers for their top performers' successes.

On a regional basis, brand recognition was the most cited reason for a label's sell-through in every area except the West.

According to the survey, western region store managers feel advertising is the more important factor contributing to a brand's store performance.

Two of the top brands listed in the survey, Wrangler and Lee, scored high in brand familiarity when it came to attributing reasons for their success, with advertising cited second.

For Fruit of the Loom, however, the results were reversed. Apparently, managers feel advertising gives that label its edge, with brand recognition coming in second.

At K mart, managers noted low prices as the No. 1 reason for the successful brands. Product presentation and brand recognition were cited next, followed by advertising.

At Wal-Mart, name recognition and advertising came before the low prices, with product presentation scoring low. Brand recognition ranked highest at Ames and Target.

Once again Fruit of the Loom, *as in 1987, took the No. 1 position in men's wear, and received better with upscale discounters. Wranglers, at No. 2, fared better with conventional discounters.* (DSN photos)

Men's: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Fruit of the Loom	20%	50%	29%	39%
Wrangler	29	38	5	33
Hanes	22	35	20	25
Lee	6	5	61	31
Levi's	2	—	5	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Men's: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Fruit of the Loom	28%	32%	31%	20%
Wrangler	22	37	21	35
Hanes	17	25	29	15
Lee	36	22	23	10
Levi's	9	3	13	15
Gitano	12	11	8	3
Rustler	1	12	8	6
Brittania	5	7	11	6
McGregor	20	5	5	3
Dickies	5	3	8	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Mens': Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1990	1989	1990	1989	1990	1989
Fruit of the Loom	30%	25%	28%	25%	36%	23%
Wrangler	29	25	30	26	26	19
Hanes	24	16	24	16	24	20
Lee	22	29	20	29	36	29
Levi's	9	13	9	13	10	16
Gitano	9	5	8	3	14	18
Rustler	8	3	8	3	10	4
Brittania	8	4	5	3	26	9
McGregor	6	7	6	7	9	9
Dickies	4	10	5	12	1	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Maybelline, Cover Girl Accent Category

Maybelline slipped a few percentage points in *DSN*'s latest Top Brands Survey, but it remained the leading cosmetics brand on discount shelves with Cover Girl, Revlon, Max Factor and L'Oreal following dutifully behind for the seventh year in a row.

Though the placement of the top brands remained constant from last year, their importance has shifted. Both Maybelline and Revlon were mentioned less often than they were last year.

In terms of percentage points, those relinquished by Maybelline and Revlon found their way to Clairol, which increased six percentage points, and Noxell, which increased by four percentage points.

Narrowing the Gap

Though this shift did not change the placement, it did narrow the gap between brands and gave Cover Girl, Max Factor and L'Oreal a larger share of mentions.

Though Maybelline and Cover Girl remained far above the other brands, those ranked third to 10th on the survey had results more evenly distributed, at least at conventional discounters.

At upscale discounters, the top five brands dominated, with those placing fifth and below not garnering as many mentions.

Maybelline maintained its first place status through all retail tiers and in every region. Overall, it was mentioned by six out of 10 store managers as a top brand. K mart, Wal-Mart, Target and Ames' managers all mentioned Maybelline most often as a best performing brand.

In most categories, Cover Girl came in second in a number of mentions. Only Target store managers named Revlon, which was third overall, more often than Cover Girl.

While the overall results matched the performances at conventional discounters, there were slight variations at the upscale discounters polled for this survey. In this tier, Revlon came in second; Cover Girl, third; L'Oreal, fourth; with Max Factor fifth.

There was more room for jockeying further down the roster, especially in individual stores. Noxell held on to sixth place overall, but was fourth at K mart. Sally Hansen, which was fifth at K mart, received more mentions this year than last, was eighth overall, up two notches from the 1989 study.

At Target, only the top five got significant mentions, while the bottom half of the list got only occasional nods.

Wal-Mart pulled no surprises in this category. Its choice of the Top 10 brands remained consistent with overall survey results.

Almay is new on the Top 10 list. It showed a drop in mentions in last year's survey, but rallied for the 1990 results.

Almay ousted Coty from the Top 10 list. Coty went from 10th to 14th place on this year's study.

Also important on this year's survey were the 11th to 14th spots on the list. The percentage points separating this group from the Top 10 are small. Any shift could mean the toppling of a brand from the Top 10. The brands in these spots, in order, are Aziza, Del Laboratories, Cutex and Coty.

For Aziza it has been a roller coaster ride. The brand had been in the Top 10 for a few years, but dropped to 12th last year. In the current survey, it inched up to 11th place, just behind Almay.

Regionally, Maybelline still held on to the lead among "all discounters" conforming easily with the regional results.

Cosmetics: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1990**	**1989**	**1990**	**1989**	**1990**	**1989**
Maybelline	66%	74%	65%	76%	70%	61%
Cover Girl	53	51	54	54	48	36
Revlon	23	35	18	28	51	70
Max Factor	15	11	14	10	17	18
L'Oreal	12	7	11	7	18	6
Noxell	8	4	9	4	3	—
Clairol	8	2	9	2	3	2
Sally Hansen	5	1	6	1	2	1
Clarion	4	3	4	3	4	1
Almay	3	1	3	1	3	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

The most significant differences occurred in the North Central region. Maybelline and Cover Girl tied for first place in this area. Those two leaders were followed in order by: Revlon (26%); Max Factor (15%); L'Oreal (14%); Clairol (11%); and Noxell (10%).

In the West, a change was noticeable further down the chart. L'Oreal managed to edge ahead of Max Factor by five percentage points to place fourth in this region behind Maybelline, Cover Girl and Revlon.

Clairol, which was seventh overall, did better in both the Northeast and North Central regions. It managed to secure fifth place in both areas.

Clairol made one of the biggest jumps in terms of percentage points, increasing its mentions by six points overall. Noxell managed a similar increase in percentage points.

Vendor advertising was the most often mentioned reason contributing to a brand's performance and brand recognition was second.

Because of the nature of the cosmetics industry, it rated high as one of the departments that store managers felt they had significant influence over.

Cosmetics: Top Brands' Performance by Region

Brand	Northeast	South	North Central	West
Maybelline	71%	71%	58%	65%
Cover Girl	30	60	58	48
Revlon	24	21	26	23
Max Factor	12	17	15	10
L'Oreal	7	10	14	15
Noxell	8	7	10	9
Clairol	9	5	11	6
Sally Hansen	1	7	6	3
Clarion	4	—	7	8
Almay	—	1	5	5

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Part of that influence, especially in this category, is product placement. Display presentation was the third most important element in a brand's success, according to the respondents.

Individual chains varied in determining other important factors in brand performance. Wal-Mart cited good, low prices as a more important element than product display.

K mart, Target and Ames, on the other hand, said that the display was more vital to the performance than the price.

Regionally, advertising also led the list of performance priorities in the Northeast, South and North Central regions.

In the West, however, one quarter of all those polled said product presentation was more important.

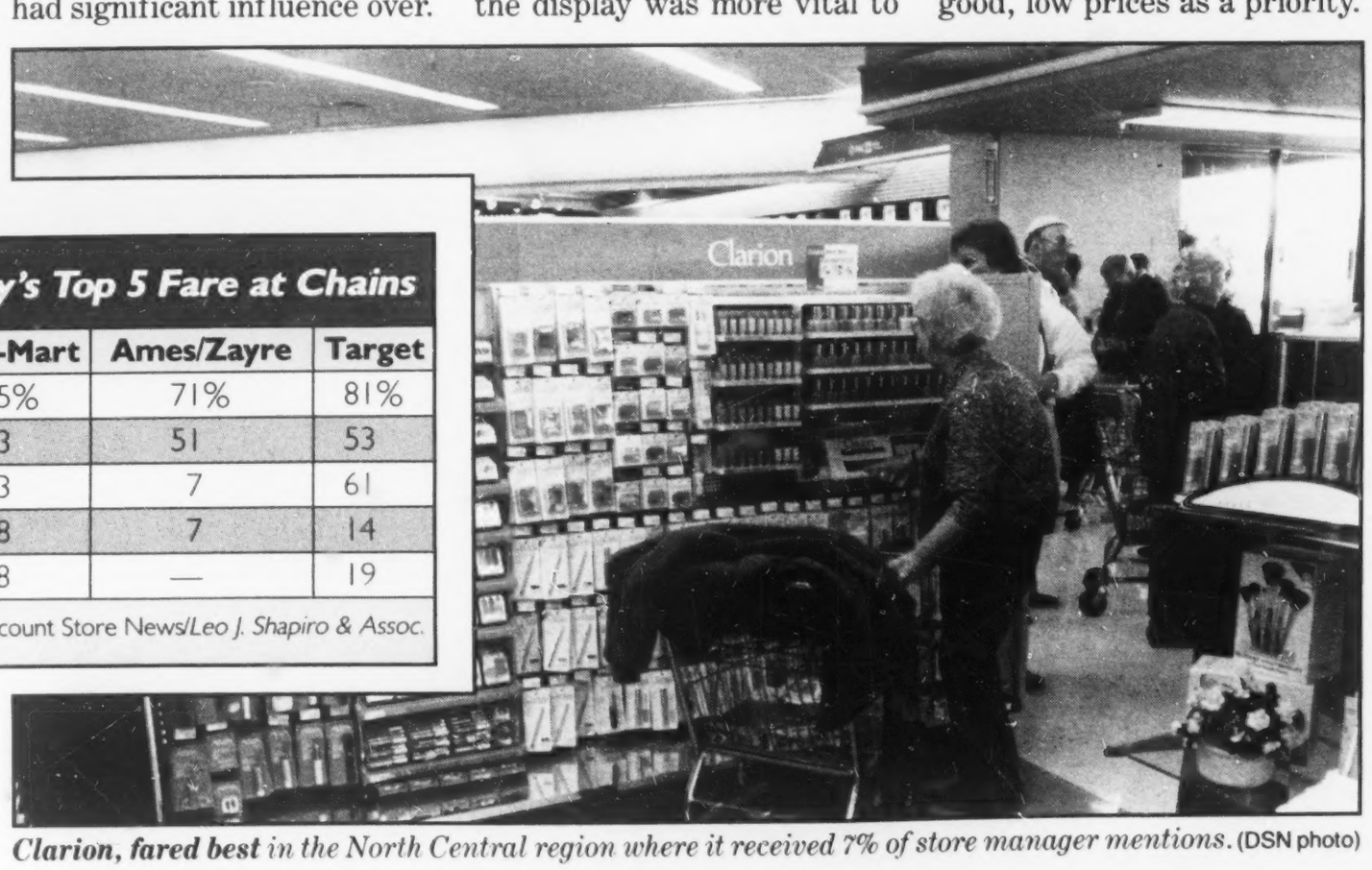
Consistent with Wal-Mart's answers, more store managers in the South, traditional Wal-Mart country, chose good, low prices as a priority.

***Even though Maybelline** slipped a few percentage points from last year, the brand still retains its No. 1 spot in the category.*

Cosmetics: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Maybelline	80%	65%	71%	81%
Cover Girl	60	63	51	53
Revlon	20	23	7	61
Max Factor	15	8	7	14
L'Oreal	11	18	—	19

Source: Discount Store News/*Leo J. Shapiro & Assoc.*



***Clarion, fared best** in the North Central region where it received 7% of store manager mentions.* (DSN photo)

European Furnishings Market

Free Trade to Provide Minor Lift in 1992

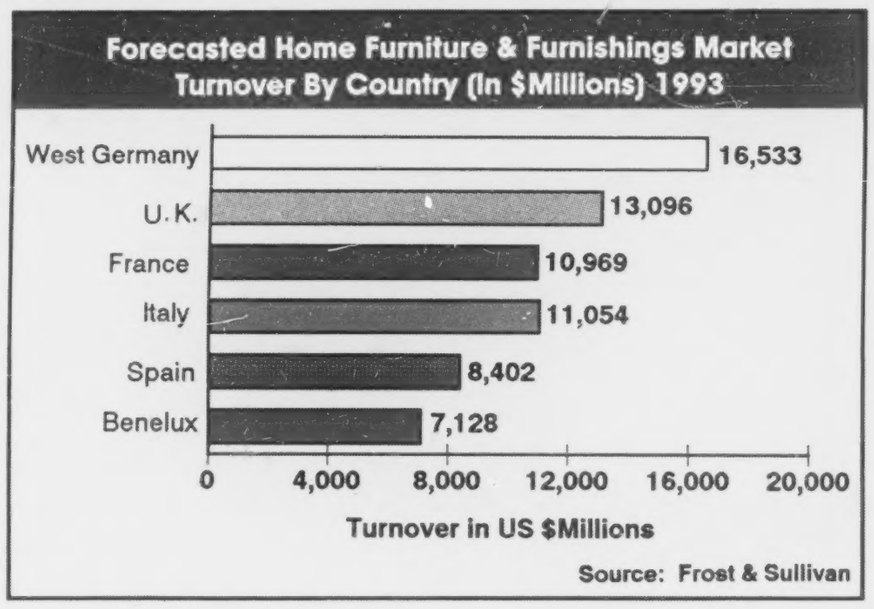
LONDON — The removal of trade barriers in 1992 will provide a minor boost to the home furniture and furnishings market in Europe, according to a report by Frost & Sullivan, the international market research firm.

The report predicts that niche marketing and stronger retailer-supplier relationships will be the major trends after 1992, but the home furnishings industry will have problems harmonizing technological standards, thus delaying full cross-border cooperation.

"Consistent improvement to product design and quality, especially in soft furnishings, household textiles and, perhaps surprisingly, wall coverings, is anticipated due mainly to steady demand for coordinated fashions," said the report. "Lighting and textile floor coverings will probably both struggle to meet their forecast market because of slack demand and tough competition."

West Germany is expected to continue to dominate the market, but Spain will emerge as a relatively strong, but backward growth area with continued protectionist policies, according to Frost & Sullivan.

The report noted that new retail techniques, such as the Gallery selling concept and the IKEA philosophy of discounting self-assembly products through high-volume warehouse-type stores, have proven very effective.



Frost & Sullivan forecast that integrated, strongly-branded operations geared to lifestyles will thrive and increase their market share through 1993, at the expense of traditional retail outlets.

"Based on actual returns for several EEC-member countries, performance through 1989 in most product categories has been relatively flat," said the report. "An analysis of disposable income and household population as the significant variables confirms that they account for a major part of the market trends."

The report projects that the European market will grow from an estimated $52.4 million, at manufacturers selling price, in 1989, to $67.2 million in 1993. That 1993 figure includes:

- $41.7 million for furniture;
- $7 million for floor coverings;
- $7.3 million for household textiles;
- $5 million for soft furnishings;
- $4.1 million for lighting;
- $1.8 million for wall coverings.

The complete report is available at a fee from Frost & Sullivan, 106 Fulton Street, New York, N.Y. 10038.

IKEA Apologizes for Shortages

PLYMOUTH MEETING, Pa. — Worldwide home furnishings giant IKEA essentially apologized to shoppers of its newest store in Elizabeth, N.J., for prevalent out of stock problems.

Full-page ads in area newspapers read: "You probably already have some of our furnishings, now how about our eternal gratitude?" In small print, IKEA acknowledged that demand at its Elizabeth store greatly exceeded plans, and is currently doubling shipments of merchandise to the store.

The Elizabeth store is IKEA's largest U.S. location and brings the total number of stores worldwide to 86. The firm just finished the mailing of its 1991 catalog.

Execs Change At Conran's

NEW YORK — Conran's Habitat reported another major change in its U.S. executives. Martin A. Burke was named executive vp, coo of Conran's Habitat, USA. Michael Harvey, who is currently chairman and ceo of the London-based Habitat Group will also serve as president of U.S. operations. Burke joins Conran's Habitat from R.H. Macy's Inc. Northeast Division.

Paul Marshall Buys Assets of Ceramic Firm

LOS ANGELES — Paul Marshall Products, a marketer and sourcing company in the wicker baskets, bath and dinnerware/accessories categories, purchased virtually all the assets of Vee Jackson Ceramics, a California firm that designs, manufactures and sells ceramic bath accessories.

Paul Marshall president and ceo John Tefft said the acquisition enhances the company's importance those in the housewares/bath category.

"Vee Jackson Ceramics makes an array of bath products that are made and hand painted in Southern California," added Ralph Becker, vp, marketing and sales. "They are beautiful in terms of shapes and designs and their quality of hand-painting and glazing are outstanding. These products are positioned at a slightly higher retail and perceived value than our current imported bath ceramic/woven sets. This, combined with their domestic production, makes a great addition to the new Paul Marshall Products."

Beacon Hosts Weaver's Show

SWANNANOA, N.C. — Beacon, the blanket and bedspread manufacturer based here, sponsored the third Beacon Hand-Loom Weaving Show and Exhibit in nearby Asheville, N.C.

The show is now a major part of the regional Bele Chere Festival, which is now in its 12th year. "The exhibit was a natural sponsorship for us due to our company's manufacture of machine loom-woven blankets," said Beacon senior vice president John Hill. "The rapport that has grown between the hand-loom weavers and the people of Beacon has been positive and beneficial for both parties. Until Beacon sponsored this show, we had no idea of the number of hand-loom weavers and the wealth of talent that could be found throughout western North Carolina." The theme for this year was "Design Possibilities," and cash prizes were awarded in several categories, including clothing, accessories, interiors and art pieces.

BiF to Open N.Y. Showroom

NEW YORK — IKEA and other metro area furniture retailers may face significant competition in BiF Korea, which will open a 55,000-square-foot showroom at 32nd Street and Fifth Avenue in Manhattan. The showroom, expected to be open by year-end, will occupy 11 floors and will cost over $3 million in renovation costs.

The firm's founder, Sang-Sik Wee, intends to become "the Toyota of furniture" through a combination of manufacturing, exporting and retailing on three continents. BiF entered the American market in 1981 with several West Coast showrooms, and is ready to take on the East. Like IKEA, BiF manufactures fashion furniture en masse, then exports it to outlets worldwide. Sales last year were $167 million; the firm projects sales of $190 million for fiscal 1990. BiF plans to open a factory in California in 1991.

Berlin Named As Aberdeen Vice President

NEW YORK — Aberdeen Manufacturing Corp., a division of CHF Industries, has named Hal Berlin vp of sales, curtain division. The industry veteran joins Aberdeen from Arley Merchandise Corp., where he was national sales manager, Coastal division. Prior to that, he spent nine years with the Home Curtain Corp. Berlin will report to Steve Cohen, senior vp.

Furnitureland South Opens

HIGH POINT, N.C.— The largest furniture store in the United States is slated to open here Oct. 1. The 228,000-square-foot store called, Furnitureland South, will feature over 25 galleries, each featuring a specific manufacturer, style and product category. The firm's only other store, a 78,000-square-foot store on South Main Street in High Point is being converted into a clearance center for the larger location. The store will also house a design center equipped with 350 vendor catalogs and 50 tables where shoppers can talk with staff designers. The company's founder and president, Darrell Harris anticipates sales to reach $30 million this year and to exceed $50 million by 1995. The company vp and secretary is his wife, Stella. The company operates its own fleet of 12 tractors and 20 trailers that deliver furniture to customers' homes within the continental United States.

It's a Family Affair at Furnitureland: *(From left) Darrell Harris, president, Jeff Harris, Stella Harris, vice president and Jason Harris.*

TOP BRANDS

HOME PRODUCTS

Housewares • Domestics • Photo • Consumer Electronics • Home Office • RTA Furniture

Two Thomson Brands Rise to Top in CE

Thomson Consumer Electronics scored an exacta in this year's *DSN* Top Brands Survey with its two brands, GE and RCA, finishing in a photo finish as the best performing brands in CE departments.

GE, which has slugged it out with Emerson as top performing brand for the past five years, was named by nearly one of three store managers, with RCA just a shade off the mark. Emerson, the most often named brand for three out of the last four years, sank to third place, just a whisker behind RCA.

It was the performance of RCA that really stood out in the results. Last year, the brand finished a rather distant fifth, with only one out of 10 managers naming the brand. In one year, RCA nearly tripled its percentage of mentions, a virtually unheard-of increase in any category.

Emerson actually increased its percentage of mentions, but still fell two places. Panasonic, fourth this year, more than doubled its rate of mentions, from roughly one in 10 to over two in 10. Magnavox, too, doubled its rate of mentions. Sony, Sanyo, Nintendo, and Soundesign all recorded gains as well.

GE owed its top rating to conventional discounters, because its rating with upscale discounters declined sharply, down from nearly one out of three managers a year ago to one out of six this year. RCA, on the other hand, blossomed at upscale stores, with four out of 10 managers naming the brand, easily the best performance by any measure of any CE brand.

Emerson, too, saw its recognition factor rise at upscale discounters, with its mention rate doubling to roughly one out of three managers. Magnavox also cleaned up among upscale discounters, with one in four mentioning the brand. Last year, that figure was well under one in 10. Panasonic picked up support at both types of outlets.

While RCA made gains among upscale outlets, the brand also did well among conventional discounters, rising from about 10% a year ago to over one in four mentions.

Overshadowed by the gains made by the Thomson entry, Sanyo jumped onto the chart, with one in eight managers citing the brand. After just missing the Top 10 list last year, Sanyo finished a solid seventh in the 1990 results.

After two successful years, Sharp slipped to 11th place, just behind GoldStar. The brand was heavily favored by K mart managers, but was barely mentioned by Wal-Mart and Ames managers. Sharp also performed well at upscale discounters, with just slightly less than one mention in 10.

Other key brands that just barely missed the chart were Zenith, Samsung, AT&T, Pioneer (thanks to strong support at Wal-Mart), Grand Prix and Smith Corona.

Overall, brand presence at all discounters increased sharply. Last year, only two brands scored over 15% of responses; this year, that number rose to six.

Regionally, most brands performed fairly evenly throughout the United States with only a couple of exceptions. Emerson was easily the most popular brand in Southern states, with four of 10 Southern managers naming the brand. That contrasted with roughly two of 10 naming Emerson in other regions.

GoldStar showed dramatic fluctuations nationwide, with nearly two of 10 West Coast managers naming the brand as a top performer, while only one in 20 managers in the Northeast and the South named GoldStar.

Consumer Electronics: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1990**	**1989**	**1990**	**1989**	**1990**	**1989**
General Electric	29%	23%	32%	22%	14%	27%
RCA	29	11	27	10	41	15
Emerson	28	27	27	29	31	15
Panasonic	23	13	22	13	28	13
Magnavox	20	10	19	10	25	7
Sony	18	13	16	10	32	27
Sanyo	12	6	13	6	7	5
Nintendo	10	8	11	9	6	5
Soundesign	9	7	11	8	—	—
GoldStar	9	9	10	9	4	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***RCA, one of two labels** from Thomson Consumer Electronics, nearly tripled its percentage of manager mentions, moving from fifth to a virtual first-place tie in this year's survey.* (DSN photo)

Sanyo, too, fared poorly in the Northeast, but did very well in the South, and also on the West Coast.

Magnavox was a favorite in the North Central region, with nearly one in three managers there mentioning the brand. Sony also scored in that region, and the West Coast as well.

By outlet, Wal-Mart managers overwhelmingly named Emerson as their best performing brand (echoing the brand's strong performance in the South), followed by RCA and Panasonic. GE and Magnavox were not in favor at Wal-Mart, where Sony and Sanyo did much better.

GE turned in its strongest performance at K mart, where one-half of the chain's managers named the brand. RCA was right behind, followed by Panasonic. Emerson fared poorly, but Nintendo, GoldStar and Sharp all owed much of their success to support from K mart.

Consumer Electronics
How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
General Electric	49%	23%	39%	11%
RCA	40	43	20	44
Emerson	13	60	15	42
Panasonic	26	28	22	28
Magnavox	16	13	12	25

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Ames managers' responses were, on the whole, much more diffuse than were other chains. GE was in favor, and Soundesign finished a strong second, with one in three Ames managers citing the brand. Samsung and Panasonic (Nos. 3 and 4) also performed better at Ames than at other discounters. Otherwise, Ames managers seemed to split their votes among more brands than did other discounters.

Target, predictably, showed a strong preference for perceived "upscale" brands. Only one in 10 Target managers named GE, but over four in 10 named RCA. Emerson (surprisingly) also scored better than four of 10 at Target.

Other strong brands at Target included Sony, Panasonic, and Magnavox. As was the case with Ames, very few other brands received significant support.

In justifying their selections, managers had clear perceptions of what accounted for the success of at least two brands, GE and Emerson. GE was favored for its advertising (nearly half of managers who named GE as a top performer also mentioned its advertising clout) and its strong brand recognition. Emerson scored on price (nearly two-thirds of managers cited Emerson's low prices) and to a lesser extent, its brand recognition.

Panasonic and Sony were preferred for their performance (as was Sharp) and extensive advertising. Sony was also cited for its brand recognition, while Panasonic received very high marks for its extensive line, but relatively low ones for brand recognition.

Sharp, in addition to product performance, was recognized for low prices and fitting in with the latest trends.

Consumer Electronics
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
General Electric	26%	25%	34%	31%
RCA	25	29	32	27
Emerson	26	40	19	17
Panasonic	26	19	30	15
Magnavox	15	11	31	21
Sony	9	18	21	21
Sanyo	3	17	10	12
Nintendo	8	9	10	17
Soundesign	5	11	10	10
GoldStar	5	4	12	19

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Recognition, Not Price, Shapes Brand Popularity

No wonder the housewares retailer is trading up to better-quality goods: the latest *DSN* Top Brands survey indicates that discount store managers feel price plays a fairly small role in the success of top performing housewares brands, even among commodity items that can easily be compared on price among various discounters.

In the survey, discount store managers divulged the brands in the housewares department that were their top performers and why they had selected these items. With few exceptions, brand recognition was the most important attribute of a top performing brand, followed by product performance, then advertising and finally price.

These numbers are especially surprising when one considers the fact that the top performers—Rubbermaid, Corelle, Corning, Visions and others—can be found at virtually every discounter in the country—and would therefore be very price-competitive.

The top five brands changed very little since last year, other than the fact that the big got bigger in the eyes of discount store managers.

Rubbermaid remained the top performer in the housewares department according to store managers, a position held by the supplier since *DSN* began conducting the survey in 1986. Despite the increasing popularity of rival brands like Tucker and Sterilite, Rubbermaid's percent of total mentions by discount store managers has climbed since 1988.

The five percentage point increase to 59% by Rubbermaid this year showed the improved standing of Sterilite did not impact Rubbermaid at all. Sterilite appeared on the most-mentioned roster, with 7% of total mentions this year, but was not among the Top 10 a year ago.

Corning's Corelle brand jumped by almost 10 percentage points, most likely fueled by recent additions to dinnerware designs and, more importantly, brand recognition. Six out of 10 store managers said the Corelle name made it a top performer. When Corning's various divisions are added together, however, Corning is not far behind Rubbermaid in terms of its performance standing, while all other brands trail these top two labels by a significant margin.

Corning, Corelle, Visions and Pyrex were jointly mentioned by five out of 10 discount store managers as top brands.

Nearly twice as many discount store managers mentioned Black & Decker this year than last. 1990 also marks the first year that General Electric, the former owner of B&D's household appliance division, did not appear on the Top 10 list.

A similar shift may have happened between the brand name Silverstone and Mirro. While Mirro has been one discount store supplier to apply the DuPont Silverstone coating to its cookware products, Mirro itself had not appeared on the top 10 list. This is the first year where the cookware brand has been considered a better performer than the non-stick coating it uses.

While Rubbermaid's brand name also contributed to its standing at store level, advertising was the single most frequently cited reason for performance excellence. Four out of 10 mentioned advertising, compared with three out of 10 for both product performance and brand recognition.

Price was considered the most important reason for Rubbermaid and Corelle performance by one out of 10 store managers.

Price was generally more of a factor when it came to other products within the housewares department. Two out of 10 said low price was a factor in determining which brands are the housewares leaders.

In certain instances, individual chains did much to contribute to the standing of individual brands. In the case of Wal-Mart, three-fourths of its store managers said Rubbermaid was a top performing brand, while at K mart, less than one-half mentioned Rubbermaid as among their top performers.

Sterilite's performance rating was boosted by frequent mentions from Target and other upscale discount chains, such as Caldor and Venture. Likewise, Mr. Coffee also scored high among the upscale discounters.

In contrast, Corelle and Corning were top performers at conventional discount chains such as K mart, Wal-Mart and Ames. Mirro and Pyrex brand names were also strong among this group.

Store managers said that the housewares department was one of the categories where they had the most influence to alter the assortment for their customer base. While about 6% overall said they could make some decisions to impact the assortment, store managers at Ames and Target believed they had the most sway. Over 10% of managers from these chains felt they could influence the housewares mix in their stores.

Brands not on the Top 10 this year included Ekco, which met much competition in both gadgets and cookware during the past year, and Tucker plastics, which also missed the Top 10, but was among the top 16 brands.

Housewares: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Rubbermaid	59%	54%	58%	56%	63%	41%
Corelle	24	15	26	16	12	13
Black & Decker	14	9	15	9	12	18
Corning	14	10	15	9	11	10
Visions	8	9	9	9	3	5
Sterilite	7	—	7	—	10	—
Proctor-Silex	6	3	6	4	9	1
Mirro	6	—	7	—	2	—
Pyrex	5	—	6	—	1	—
Mr. Coffee	5	—	3	—	11	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

When added together, *Corning's divisions, such as Corelle (above) and Visions (below) received almost as many mentions from store managers as did Rubbermaid, the category's top performer.* (DSN photos)

Housewares
How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Rubbermaid	46%	75%	73%	67%
Corelle	36	25	37	17
Black & Decker	20	13	5	8
Corning	22	10	22	11
Visions	11	13	5	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Housewares
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Rubbermaid	54%	59%	59%	62%
Corelle	13	29	27	16
Black & Decker	12	10	20	12
Corning	18	14	14	12
Visions	3	13	5	11
Sterilite	4	5	10	8
Proctor-Silex	6	3	10	6
Mirro	—	4	10	8
Pyrex	—	3	7	9
Mr. Coffee	—	2	8	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Cannon Repeats as Top Brand Performer

Like Kodak in photo, Cannon was an easy repeater as the most often cited top performing brand in the domestics department, as judged by discount store managers. The brand has never been challenged in the five-year history of *DSN's* annual Top Brands Survey.

However, several other brands seem to have increased their standings with discount store managers as well, most notably Pepperell, J.P. Stevens and Cannon's sister company, St. Mary's.

Cannon was, as usual, dominant, with over half of discount store managers citing the brand as a top performer. That percentage has held steady, within two or three percentage points, for four years, although there was a clear increase this year.

Pepperell and Stevens, despite strong growth, were named only by one in five (Pepperell) and one in six (Stevens) managers.

No other brand was mentioned by as many as one in 10 managers, a trend that has held true for several years.

Cannon was most strongly favored at Wal-Mart, where more than four out of every five managers cited the brand as a top performer. Approximately two-thirds of K mart managers also mentioned Cannon. Martha Stewart, K mart's private label, drew mentions from about one in six K mart managers. Ames and Target managers were relatively lukewarm on the brand, with slightly more than half not mentioning Cannon.

Pepperell's strength was also concentrated at Wal-Mart, where three of 10 managers named the brand a top performer. Upscale discounters, with roughly a quarter of store manager responses, cited Pepperell as a top performing brand in the domestics department.

J.P. Stevens performed strongly at K mart (No. 2), perhaps due to its strong Martha Stewart presence. Ames managers also favored Stevens as a top performer (No. 3). In both cases, about one-fourth of the managers surveyed mentioned the brand as a top performer in domestics. Stevens may have lost ground due to the 10th place showing by Taste Maker, also a Stevens label.

St. Mary's fared well at both Ames and Target but failed to receive any mentions by Wal-Mart managers. K mart store managers gave St. Mary's only a token mention. About one-third of Ames managers and about one in five of Target managers mentioned St. Mary's as a top performing domestics brand. Fewer than one in 10 K mart managers mentioned it as among their top performers.

***Brands with** increased mentions among discounters were Pepperell, J.P. Steven's and St. Mary's.*

Domestics: Top Brands Vary by Type of Outlet

Brand	All Discounters 1990	All Discounters 1989	Conventional Discounters 1990	Conventional Discounters 1989	Upscale Discounters 1990	Upscale Discounters 1989
Cannon	57%	54%	61%	59%	35%	30%
Pepperell/Lady Pepperell/ Westpoint	17	12	15	11	24	19
J.P. Stevens	15	11	16	12	12	9
St. Mary's	8	11	6	12	20	18
Fieldcrest	6	2	5	2	10	2
Springs/Spring Mills	5	6	4	6	10	6
Martha Stewart	4	3	5	—	—	—
Dan River	3	3	3	2	5	5
Santa Cruz	3	—	3	—	3	—
Taste Maker	3	—	2	—	5	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Domestics: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Cannon	62%	83%	49%	44%
Pepperell/Lady Pepperell/ Westpoint	18	30	12	22
J.P. Stevens	27	15	22	11
St. Mary's	6	—	29	17
Fieldcrest	7	5	17	11

Source: Discount Store News/Leo J. Shapiro & Assoc.

Domestics: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Cannon	39%	70%	58%	41%
Pepperell/ Lady Pepperell/ Westpoint	17	23	12	12
J.P. Stevens	12	14	19	11
St. Mary's	8	4	13	10
Fieldcrest	12	6	5	5
Springs/ Spring Mills	10	3	7	2
Martha Stewart	—	1	7	9
Dan River	4	4	2	3
Santa Cruz	—	2	6	—
Taste Maker	—	3	5	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

***Cannon was named a top performing brand** by four of five of Wal-Mart store managers and by two-thirds of K mart managers.* (DSN photos)

Fieldcrest, Cannon's upstairs counterpart, finished in fifth place overall, with support limited mainly to Ames and Target, chains that theoretically don't have access to the brand.

No. 6 Springs benefited from the unlikely tandem of Ames and Target too, with no mentions from Wal-Mart and only a handful from K mart. Upscale discounters as a whole seemed to favor the brand, with one of 10 managers calling Springs a top performing domestics brand.

Martha Stewart, obviously, owed all of its support to K mart. Almost two in 10 store managers named the Martha Stewart label a top performer, enough place to it in the seventh spot.

Dan River placed eighth, mainly due to "other" conventional discounters, mostly small regionals preferred by the upscale vendor. The brand was barely mentioned by the big four, despite a formerly strong presence in old Zayre stores that are now a part of Ames.

Santa Cruz owed its ninth place finish solely to K mart, receiving one in 10 responses. No. 10 Taste Maker, likewise, received nearly all of its mentions from the Troy, Mich.-based retailer.

Other brands mentioned as top performers in domestics this year included Burlington, Beacon, Kenney, Dundee, Newell, Martex, Graber, Regal and Hygiene. Bibb, strangely, didn't receive a single mention, despite the runaway success of its licensed juvenile patterns like Batman and Teenage Mutant Ninja Turtles. Similarly, major players like Pacific and Home Innovations were not mentioned.

Regionally, Cannon was a major hit in the South, where nearly seven of 10 managers mentioned the brand as a top performer. It was weakest in the West, where only four of 10 mentioned Cannon.

Pepperell was most strongly favored by retailers in the South and Northeast, while Stevens found favor (about two mentions in 10) among North Central region store managers.

Otherwise, there was very little variance in brand performance from region to region this year, the same results as in previous surveys.

Cannon remained the dominant force in all four regions followed by Pepperell except in the North Central region where Pepperell and No. 3 Stevens exchanged positions. Fieldcrest virtually tied Stevens for third in the Northeast and leaped over St. Mary's in the South. St. Mary's fell to No. 6 in the Northeast behind Springs.

While Cannon's strength was mainly confined to conventional discounters, it has evidently started to make inroads among upscale discounters as well. Overall, its percentage of mentions rose three percentage points, mainly due to a five percentage point increase at upscale discounters.

The other two major gainers, Pepperell and Stevens, each duplicated that pattern, showing increases across the board, with special emphasis on upscale retailers.

About two-thirds of store managers thought that they would see an increase in sales in their domestics departments in the coming year; only about one in seven felt that sales would decline or hold even.

And about six of 10 managers said that they had not seen growth of national brands in the past year.

Advertising Heightens as Top Brand Attribute

The long-standing emphasis on good, low-priced products in the personal care appliance category seems to be abating.

In *DSN's* 1990 Top Brands Survey, store managers still report that price is the most important attribute of a personal care appliance brand, but not with the same degree of emphasis as in previous years.

The current survey revealed that advertising, product performance and brand recognition have become more important contributors to a brand's success. This year, price just edged out advertising as the No. 1 attribute, followed closely by product performance and brand recognition which were tied as the third key attributes.

Price wasn't always the No. 1 consideration. When specific brands on the Top 10 list were evaluated individually, price often took a back seat to the other three attributes.

For Remington and Vidal Sassoon-brand personal care appliance products, price was not even mentioned as an attribute, and for Clairol products price was a low priority. Price was a major attribute for No. 1 Conair and No. 6 Windmere, however.

Price was an issue for over half the managers who named Conair a best performer. Product performance was second with one-third of the responses followed by brand recognition. Advertising was fifth behind product presentation.

Perhaps this unique combination of attributes keeps Conair at the top of the brand list, now for the fifth consecutive year.

Despite Conair's success in this category, its hold on the No. 1 spot has been weakening for the past four years.

This year, four in 10 store managers named Conair a top performing brand, down four percentage points from 1989 and off 14 percentage points from 1986. In addition, the margin separating Conair from the No. 2 brand, this year Norelco, has narrowed. A year ago, Conair led No. 2 Clairol by a 3-to-1 ratio. This year, Conair outpaced the No. 2 Norelco by a less than 2-to-1 rate.

Norelco showed great strength this year, doubling its number of manager mentions from its 1989 level. Norelco was sixth on the top brands list last year.

Similarly, Remington rose from 2% of mentions in 1987 to nearly one-quarter of managers this year, moved up two notches this year to the No. 3 spot on the list.

Clairol, at No. 4, maintained the same level of mentions this year—16%—but fell from the No. 2 spot. Other personal care appliance brands probably attracted the attention of a larger group of store managers than the previous year.

Vidal Sassoon, in the No. 5 spot this year, dropped from second on the 1989 list but received the same level of mentions from store managers. The brand's best showing was at Target where four in 10 managers named it a top performer.

Among upscalers in general, Vidal Sassoon was named by more than one-third of the respondents, triple the number of mentions it received from conventional discount store managers. Conventional discounters did not mention Vidal Sassoon as often as they did a year ago.

The reason for Vidal Sassoon's success among upscalers appears to boil down to price. None of the store managers surveyed said price was a reason Vidal Sassoon performed well. Upscale discounters by their nature sell higher priced goods than conventional chains and are therefore more likely to choose a brand that sacrifices price in favor of aggressive advertising. Advertising was said to be more of a driving factor for Vidal Sassoon's performance than with any other brand.

Close behind Vidal Sassoon was Windmere, down from fourth a year ago, but with the same number of manager mentions. Behind Windmere was Jerri Redding, up two spots from 1989 and with more mentions.

Black & Decker fell one spot to seventh, with a small mention decline.

New to the top 10 list this year are Sunbeam, which tied Black & Decker for eighth place, and Braun (No. 10).

Gone from the Top 10 list this year are Epilady, which held the No. 10 spot a year ago, and General Electric, which was tied with Jerri Redding for eighth.

GE fell to 11th, the first time it didn't make the Top 10. GE no longer produces personal care appliances under its label.

Personal care appliances was among the categories store managers said they had the least sway over in terms of their ability to tailor the assortment to their individual market demands.

Subtle changes took place among the leading four discounters in terms of the brands they named.

Conair was mentioned less often by three of the top four discounters; K mart was the only chain whose managers mentioned Conair as often this year as last. Roughly 10% fewer store managers from Wal-Mart, Ames and Target named Conair a top performer.

In contrast, Remington was mentioned dramatically more by each of the top four chains except Ames. Over 10% more store managers at K mart, Wal-Mart and Target said Remington was a top performer than last year.

Conair and Norelco did not make a clean sweep of the top two positions at the chains.

In fact, Conair was tied for third at Target with Remington behind Vidal Sassoon and Norelco. Clairol was in fifth.

While K mart managers gave Conair its most convincing support, with nearly seven out of 10 mentioning Conair as a top performing brand, the No. 2 spot went to Jerri Redding, with nearly four out of 10 mentions. Remington was third at K mart followed by Norelco and Clairol.

At Ames, Conair was followed by Vidal Sassoon in the No. 2 spot. In third was Windmere. Norelco tied with Black & Decker for fourth.

Conair was the No. 1 performer at Wal-Mart, according to store manager responses, and Norelco tied with Remington for the No. 2 spot. Clairol was a distant fourth followed by Vidal Sassoon.

Regionally, Conair declined somewhat in all four regions. Second-ranked Norelco more than doubled its number of mentions everywhere except in the Northeast.

Inversely, Vidal Sassoon gained primarily in the Northeast with subtle declines elsewhere in the country.

In the Northeast, after the top two brands no other labels received enough mentions to warrant further examination.

The opposite was true in the South, where brand variety appears to be important.

Among Southern managers, Conair led the list of top performers followed by Norelco with almost half as many mentions. Remington was close behind in third followed by Windmere. Clairol and Vidal Sassoon tied for fifth.

Manager responses in the North Central states ranked the top performing brands much like the "all discounter" list except that in the No. 5 position was Jerri Redding, not Windmere. Windmere placed sixth among managers from the North Central region.

Conair led the top brands list in the West, and Norelco was the No. 2 brand. In third was Clairol and Vidal Sassoon in a tie, followed by Windmere.

Personal Care Appliances: Top Brands Vary by Type of Outlet

Brand	All Discounters 1990	All Discounters 1989	Conventional Discounters 1990	Conventional Discounters 1989	Upscale Discounters 1990	Upscale Discounters 1989
Conair	42%	46%	42%	44%	42%	54%
Norelco	24	12	24	12	24	10
Remington	23	13	23	12	25	15
Clairol	16	16	15	14	21	24
Vidal Sassoon	15	15	11	13	35	29
Windmere	14	14	14	16	13	2
Jerri Redding	10	5	11	6	—	—
Black & Decker	6	9	6	10	6	—
Sunbeam	6	—	10	—	3	—
Braun	4	—	4	—	6	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Personal Care Appliances How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Conair	67%	43%	29%	31%
Norelco	22	31	12	33
Remington	29	30	2	31
Clairol	11	13	7	2
Vidal Sassoon	2	10	24	42

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Personal Care Appliances Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Conair	53%	40%	39%	46%
Norelco	10	21	32	25
Remington	24	21	30	14
Clairol	8	12	21	20
Vidal Sassoon	7	12	18	19
Windmere	13	16	12	14
Jerri Redding	4	8	15	6
Black & Decker	7	7	2	10
Sunbeam	1	6	7	6
Braun	—	1	9	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***Vidal Sassoon, Clairol and Windmere** maintained the same level of manager mentions this year, but slipped in the standings.* (DSN photo)

Kodak Dominates, But Canon Develops Appeal

Kodak, as in every year of this survey, held onto its No. 1 ranking among discount store managers, but declined slightly while every other brand on the top 10 with the exception of Polaroid improved over last year.

The most dramatic rises in *DSN*'s 1990 Top Brands Survey in photo and camera came from Canon, which leaped from No. 3 to No. 2, and Fuji, which nearly tripled its rate of mentions over last year, while holding steady at No. 5.

Nevertheless, Kodak's lead over competing and non-competing photo brands is gigantic.

Over three-quarters of store managers named Kodak a top performing brand, compared to under one-third who cited Canon and about one-quarter who named Polaroid.

Roughly one manager in five named No. 4 Minolta, which has had major success with its Maxxum and other autofocus cameras, and No. 5 Fuji scored about one mention in 10. Rounding out the rest of the Top 10 were Pentax, Scotch/3M, Nikon, Vivitar and Olympus, with only Vivitar and Olympus new to the chart, replacing Emerson and Duracell.

Kodak's support was strong across the board, but slightly stronger at K mart and Ames than elsewhere (nearly nine of 10 managers at those chains mentioned Kodak).

There was a clear difference between conventional and upscale discounters; conventional discount store managers mentioned Kodak in about four out of five interviews, vs. about three out of five in upscale interviews.

Canon, on the other hand, owed its success in large part to two retailers, Wal-Mart and Target. Roughly four of five Wal-Mart managers mentioned the brand, and exactly one-half of Target managers did so. Both chains feature manned, upscale photo departments, which may partly explain the brand's rising popularity with managers.

Polaroid's performance was pretty even across all classes of discounters, mentioned between 20% and 30% of the time. With the exception of fairly strong support at Target, Minolta was similarly consistent.

Fuji came back strong after a severe dropoff last year, possibly attributable to Wal-Mart dropping the brand in a "Buy American" frenzy. This year, even before reentering Wal-Mart shelves, the brand received mentions from about 3% of Wal-Mart managers, rather impressive for a brand that wasn't being sold at the time of the survey. (However, the chain had already decided to return Fuji products to its photo departments, and Wal-Mart had reportedly continued to use Fuji minilabs and supplies in some of its stores, which may in part explain the brand's showing.)

Fuji also received almost no support from Ames managers, again because the chain did not stock the brand at the time of the survey, a situation that has since reportedly changed.

That leaves two major chains, and Fuji made significant inroads at one of them, K mart, where nearly one in four managers cited the brand as a top performer. Upscale discounters as a whole (but excluding Target) also reported top performance by Fuji.

Pentax owed its success almost exclusively to K mart and Target, where roughly one in five managers cited the brand, while Scotch/3M can thank Wal-Mart managers for its ranking.

The ranking of photo brands varied considerably across the country. Kodak, for instance, was relatively more popular in the Northeast and in the West than in the South and North Central regions. Canon, on the other hand, was just the opposite, scoring better with Southern and North Central region store managers.

Fuji, as usual, had the widest variance by region. The brand was virtually nonexistant among Northeastern and Southern store managers, but roughly one in five managers in other regions cited the brand as a top performer. The company has had a history of success in the West, but its national presence among consumers seems to indicate that Wal-Mart's refusal to sell the brand over the past two or three years has hurt it in the South.

Polaroid was most popular among managers in its home Northeastern region, and dipped slightly in the West. Minolta had almost no Northeastern presence, but showed well in the other three regions, with about one in five store managers in those areas mentioning the brand.

Pentax was strong in the West, while Scotch/3M showed well in the South.

Overall, managers felt strongly that they would see sales increases in the coming year in their photo departments. However, on the whole, they forecast modest (under 10 percent) increases, not surprising for a "mature" product category.

What constitutes a top performing photo brand in the mind of a store manager? According to their responses, advertising, whether by the manufacturer or in retail circulars, was the most important factor. With the exceptions of Ames and Target, roughly four of ten managers named advertising as a key component for success.

Only one of five Ames managers named advertising, while less than one of three Target managers did the same.

Brand recognition was nearly as strong a component, the managers said. At Wal-Mart and Target, though, brand recognition was the most important variable, with two-thirds of each chain's managers citing brand presence.

Smaller chains, while emphasizing advertising and brand recognition, seemed to be more concerned than larger chains with product performance.

Except at Target and (of course) Wal-Mart, low prices seemed to be relatively unimportant. While discount store managers as a whole are extremely price-conscious, photo (except in high-end cameras) is not a particularly competitive product area at retail. Film costs pretty much the same from mass outlet to mass outlet, and entry-level cameras are also fairly consistent from store to store.

Photo, Camera
How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Kodak	87%	72%	88%	58%
Canon	35	38	7	50
Polaroid	20	28	27	28
Minolta	22	25	—	33
Fuji	22	3	2	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***While Kodak** displayed across-the-board strength with store managers, Canon fared particularly well at K mart and Target, two chains that feature upscale photo departments.* (DSN photo)

Photo, Camera: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Kodak	77%	79%	79%	83%	63%	60%
Canon	28	17	25	15	43	29
Polaroid	23	24	22	27	24	11
Minolta	19	13	19	11	23	24
Fuji	11	5	12	5	6	4
Pentax	7	3	6	3	12	4
Scotch/3M	5	1	6	2	—	1
Nikon	5	2	3	2	12	4
Vivitar	4	—	4	—	4	4
Olympus	3	—	3	—	5	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Photo, Camera:
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Kodak	80%	73%	76%	84%
Canon	23	29	32	20
Polaroid	29	23	23	14
Minolta	5	18	25	23
Fuji	4	2	19	20
Pentax	4	4	9	14
Scotch/3M	5	9	3	—
Nikon	8	3	8	—
Vivitar	5	2	7	—
Olympus	—	1	6	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Tide Whitewashes Competition to Remain No. 1

For the fifth consecutive year, Tide laundry detergent was the No. 1 brand in the household cleaner and chemical category, turning in its best performance ever.

DSN's 1990 Top Brands Survey found Tide the top performing brand in household cleaners by a 2-to-1 margin over the second most often mentioned brand, Clorox.

In fact, Tide's dominance in the cleaners category was so sweeping it took top honors in every breakout: at both conventional and upscale discounters; in all four regions; and at the nation's Big Four discount chains. Store managers also named Tide as a top performer more often this year than in any year since the survey started.

In all, Tide was named a top performing brand by more than half (54%) the managers surveyed, compared with one-quarter (26%) who mentioned Clorox. Tide bettered its performance this year by 13 percentage points.

Clorox remained in second place even though one percentage point was shaved from its results this year. However, the brand is firmly in second place and with a greater lead over the No. 3 finisher, this year, Procter & Gamble, a corporation name that garnered many mentions as a brand as well.

Household Cleaners
How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Tide	46%	68%	49%	72%
Clorox	22	38	22	28
Windex	16	10	10	19
Procter & Gamble	6	23	22	14
Purex	22	29	2	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Tide's most convincing lead was recorded at upscale discounters, with six out of 10 responses, and at Wal-Mart and Target, seven out of 10.

The laundry detergent brand lost some first place dominance at Ames, but No. 2 Clorox also received fewer mentions. Therefore, Tide actually widened its margin over Ames' second-place finisher.

The balance of the Top 10 list resembles that of 1989 and includes three new labels: Purex (No. 5), Cheer (No. 8) and Fantastic (No. 9).

These three brands replaced Dow, which fell from fifth to 12th; Lever Brothers, which fell from sixth to 34th; and Johnson, which fell from seventh to a 25th place tie with Arm & Hammer.

Lever Brothers makes the popular Wisk detergent (No. 17). And Johnson, (actually not a brand by itself), produces Johnson Wax and Pledge.

This year, as in previous surveys, the Top 10 list features brands that are very closely ranked and slightly reshuffled from a year ago.

For example, both Windex and Procter & Gamble tied for the No. 3 position on the 1989 survey. Last year, Windex was No. 4 with more mentions.

Procter & Gamble—which doesn't manufacture anything under the P&G label but is the maker of Tide and Dawn (No.6), among many other products—was in third place last year, also with more mentions than it got on the current survey.

Rounding out the Top 10 list are Dawn, Lysol and Cheer in a three-way tie for sixth, and Fantastic and Formula 409, tied for ninth.

Despite Tide's dominance as a top performing brand, store managers named more household cleaners and chemicals top performers than they did in most other categories in the survey. In fact, each manager, on average, named 2.5 cleaner brands as top performers this year, more than any other department except consumer electronics, and food, candy and snacks which received the same results.

On the whole, store managers listed 40 top performing brands in the cleaners category, up one from 39 in 1989. Managers listed 37 top performers in consumer electronics and food, candy and snacks, illustrating the brand depth in these areas.

In keeping with the overall results of the survey, advertising was mentioned most often as a contributor to a brand's success in the household cleaners and chemicals category, followed by brand recognition and product performance.

However, survey results reveal that when store managers were asked to give specific reasons for the success of popular brands manufactured by Procter & Gamble, Texize, Drackett and Clorox, the primary reason rests with brand recognition everywhere but at Procter & Gamble.

(Continued on page 79)

If you think the New
KODAK STAR 35's are impressive,

© Eastman Kodak Company, 1990.

Household Cleaners: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Tide	54%	41%	53%	40%	61%	44%
Clorox	26	27	26	27	24	30
Windex	14	16	13	18	22	11
Procter & Gamble	14	17	14	17	11	17
Purex	12	5	14	6	—	—
Dawn	8	5	8	6	7	—
Lysol	8	6	9	6	5	4
Cheer	8	4	6	3	18	4
Fantastic	7	4	8	4	3	3
Formula 409	7	6	7	5	4	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Household Cleaners
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Tide	43%	59%	59%	43%
Clorox	13	33	22	30
Windex	11	12	12	28
Procter & Gamble	15	13	13	15
Purex	4	14	13	9
Dawn	—	7	15	3
Lysol	4	7	14	9
Cheer	10	5	9	11
Fantastic	1	7	9	8
Formula 409	8	5	2	19

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Tide Sweeps Over the Competition to Retain Top Spot

(Continued from page 78)

According to store managers, P&G products—including Tide, Dawn and Cheer—benefit most from advertising. Brand recognition is second and product performance is a very distant third.

For Texize products such as Fantastic and Formula 409, advertising and brand recognition are equal in attracting customer activity, according to store managers. But for Drackett—maker of Renuzit and Windex—and Clorox—maker of Clorox bleach and Tilex—brand recognition is by far the lead consideration. Product performance, though, is the second most important contributor to the success of Clorox products, however.

Store managers reported they have substantial influence over the contents and direction of the category in their stores. In fact, after food, health and beauty aids and hardware, store managers said they have the most influence over cleaners.

Wal-Mart managers said they have the most influence in this category with nearly one-fifth claiming to be able to influence the direction of this department.

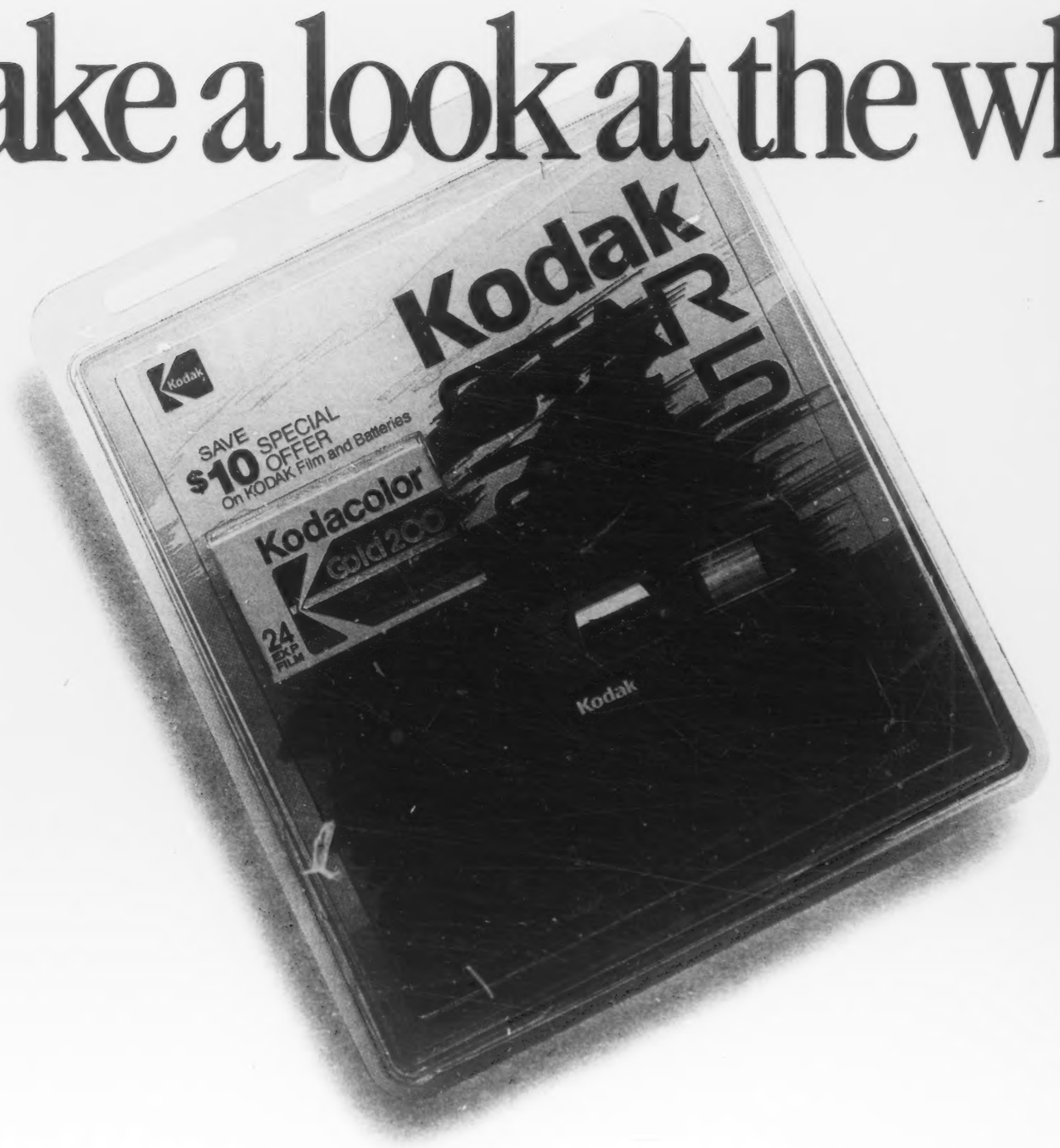
Nearly seven out of 10 Wal-Mart managers said Tide was a best performing brand this year, up from fewer than five in 10 managers a year ago. The total response gain of 21 percentage points was the greatest rise of any brand mentioned in this category.

No. 2 Clorox remained in second place at Wal-Mart, followed by Procter & Gamble, Purex, and Comet, Bold and Windex, which were tied for fifth.

Target managers gave Tide the greatest number of votes as a top performing brand, more than seven out of 10, followed by Clorox, Windex,

(Continued on page 109)

take a look at the whole package.



The new KODAK STAR 35 mm Camera line is loaded with the quality and value that make KODAK Cameras the No. 1 seller.

Value-added package contains everything your customers need to start taking pictures, including KODACOLOR GOLD 200 Film and KODAK PHOTOLIFE™ Batteries.

Vibrant color-coded packaging makes STAR Camera model identification a snap.

Packed with money-saving vouchers that prime the buying cycle at your store. Worth $10 toward more KODAK Film and KODAK Batteries. And $15 in photofinishing (on selected models).

The largest KODAK Camera advertising program ever will showcase STAR Cameras on network TV and in major national magazines.

Perfect for gift-giving.
So don't settle for anything less than the whole package. Call your Kodak sales account executive today.

Kodak

TOP BRANDS

HARD LINES

Automotives • Health & Beauty Aids • Hardware • Toys • Stationery • Sporting Goods • DIY

McNeil Labs Rises to Challenge Crest, Colgate

While Crest and Colgate toothpastes continue their hold on the No. 1 and No. 2 spots in the health & beauty aids category, a major reshuffling of the overall Top 10 ranking occurred as one label broke into the listing.

New to *DSN*'s 1990 Top Brands Survey in health & beauty aids is No. 3 McNeil Lab, which produces no products under its corporate label but makes two well-known and highly promoted H&BA items, Tylenol and Sine Aid. Last year, four brands were new to the listing and they continued to be ranked among the Top 10 this year.

The reshuffling among the Top 10 brands saw Johnson & Johnson, which had held down the No. 3 spot last year, fall to No. 7, while Procter & Gamble and Suave moved up one notch each. White Rain held steady as No. 8 and Scope dropped one place. Listerine and Clairol each slipped two spots.

The survey overall tracked the ranking for 64 brands, more items than in any other classification.

Johnson & Johnson's dip reflects McNeil Lab's citation as a top performer. Johnson & Johnson is a well-known brand in its own right and also is the parent company of McNeil Lab. Greater recognition of McNeil Lab and its health products as brands apart from Johnson & Johnson's family of items obviously impacted the parent company's standing.

Procter & Gamble, which broke into the Top 10 ranking for the first time last year as the No. 5 brand, wasn't affected by any recognition of its various labels as top performers. P&G's generic listing probably denotes a combination of considerations: the company's phenomenal marketing strength and/or store manager's conviction that across the board its products are top performers.

Overall, the baker's dozen of different P&G products such as Crest, Scope, Secret, Pert, Head & Shoulders, Ivory and Charmin cited by store managers apart from the parent company itself accounted for just over 20% of the 64 brands listed in the survey.

P&G's jump from nowhere to the No. 5 spot last year and No. 4 this year is reflective of the factors that set apart one H&BA product from another in this highly consumable, fast-turn category. In order of importance cited by managers, these are: advertising, price and brand recognition.

In fact, when managers were queried about specific products, they cited advertising as the key factor for the strong performance of the top items, but were split as to the range of the other reasons.

For example, the high rankings of Crest and P&G, managers said, were due to advertising followed by brand recognition and then price, while Colgate's listing, they felt, was due to advertising, then brand recognition and finally in-store product presentation.

Johnson & Johnson's listing, they said, reflected strong advertising, then product performance and finally brand recognition.

The overall shifting among the rankings of the top brands masks changes in each label's status at conventional and upscale discounters, the four major chains and even regional preferences.

McNeil Lab, for example, last year was listed, albeit very low, by managers at conventional discounters but wasn't ranked at all by managers at upscale chains. This year, in a greatly-altered situation, managers at both types of discounters perceived the brand about the same. K mart and Wal-Mart managers in equal numbers cited the brand, while slightly fewer Target managers did so, but almost no Ames managers noted the label as a top performer.

Regionally, McNeil Lab did best in the North Central states, equally well in the South and West and poorest in the Northeast.

Johnson & Johnson's overall fall from third place to the No. 7 spot was also evident when measured on a chain and regional basis. While slightly more managers at upscale discounters cited Johnson & Johnson this year than last year, substantially fewer conventional discount store managers viewed the brand as a top label.

On a chain by chain basis, the Johnson & Johnson brand slipped 19 percentage points at Wal-Mart, 11 at Ames, and six each at K mart and Target. Regionally, mangers in the South and North Central states actually gave it a higher rating this year than last, while those in the Northeast and West gave it a lower rating.

Crest remained the top brand, but fewer managers at conventional discounters cited the label this year, while its ranking among upscale discounters rose 10 percentage points. Fewer K mart and Wal-Mart managers cited the label as a top performer, but the number of Target and Ames managers naming the brand increased, up three percentage points at the former and 16 points at the latter.

The regional ranking was a mixed bag. Crest got higher rankings among managers in the West and North Central states with lower ranking in the Northeast and South.

Colgate's overall ranking didn't change as its listing among conventional discount store managers slipped slightly and increased four percentage points among upscale discounters.

Fewer managers at the Big Four named the Colgate toothpaste brand as a top performer, the declines ranging from two percentage points at K mart to seven at Target. But on a regional basis, more managers in the Northeast, South and West listed Colgate as a top brand this year than last year, while fewer managers in the North Central states had this perception.

Procter & Gamble moved up one notch despite slightly fewer managers overall who named it a top performing H&BA brand. P&G's ranking increased among conventional discounters but fell five percentage points among upscale discounters. On a chain basis, more Ames managers named P&G but it received fewer citations by K mart, Wal-Mart and Target managers.

There wasn't any change in how discount store managers in the South viewed P&G products but its ranking only increased in the West, up nine percentage points, while dropping in the Northeast, two percentage points, and North Central states, five percentage points.

Suave, which moved up one place to the fifth spot, showed little overall change. Its number of mentions dropped slightly among upscale discounters but remained the same at conventional chains.

Health & Beauty Aids: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1990**	**1989**	**1990**	**1989**	**1990**	**1989**
Crest	40%	39%	40%	41%	39%	29%
Colgate	18	18	17	18	22	17
McNeil Lab	15	3	15	3	14	—
Procter & Gamble	11	12	12	11	8	13
Suave	10	10	11	11	3	5
Listerine	9	13	10	14	6	7
Johnson & Johnson	9	14	8	14	14	13
White Rain	9	7	10	8	8	2
Clairol	7	7	6	9	8	1
Scope	5	6	5	7	5	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Health & Beauty Aids: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Crest	42%	50%	20%	47%
Colgate	22	18	10	19
McNeil Lab	18	18	2	14
Procter & Gamble	7	15	15	8
Suave	13	13	12	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Health & Beauty Aids: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Crest	22%	44%	41%	43%
Colgate	14	22	13	21
McNeil Lab	12	14	17	14
Procter & Gamble	13	10	8	19
Suave	9	9	12	8
Listerine	—	16	9	—
Johnson & Johnson	22	6	8	9
White Rain	—	9	15	3
Clairol	9	3	10	8
Scope	8	4	7	1

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***While Johnson & Johnson** slipped to No. 7, its subsidiary McNeil Labs came in at No. 3.*

Mead Chalks Up Top Position in Smaller Field

For the fifth straight year, Mead took the No. 1 spot in *DSN*'s Top Brands Survey and with a convincing lead over No. 2 Bic.

Mead and the five other stationery brands that returned to the top 10 list this year all received more discount store manager mentions as top performing brands than in 1989.

Contributing to the improvement, according to store managers, is overall brand recognition and product performance. Another consideration that must be factored in is the exclusion of greeting cards in the current survey.

This year, *DSN* decided to break out the greeting card category into a separate survey within Top Brands. This was done to better identify the key players and their performance at discount stores.

The stationery category has now been left to concentrate on store managers brand perceptions of traditional stationery items such as notebooks, filler paper, writing instruments, desk and office accessories and related back-to-school and home/office products.

Even with the new ground rules for this year, three greeting card brands were named by store managers as top performers in stationery. They were Sangamon (No. 12), American Greetings (No. 17), and Hallmark (No. 19). Of course, Hallmark does not sell to the mass market under its own label, but rather through its mass market division, Ambassador. Nevertheless, some store managers named the brand as a top performer in their stationery department.

Mead's consistent hold on the No. 1 spot underscores the strength of the popular brand. Its top position in the current survey was due to first place finishes in all areas of the survey. However, Mead did report fewer mentions this year from K mart and Ames store managers and among retailers in the North Central and West regions.

Interestingly enough, when store managers were asked why their top stationery brands perform so well, there was substantial disagreement among individuals from the four major chains.

Advertising was given relatively low priority in comparison to brand recognition (No. 1) and product performance (No. 2) everywhere but at Ames.

Target managers gave more emphasis to a vendor's large line of goods. Product performance wound up the second consideration.

K mart managers attributed a brand's success more often to product performance and brand recognition but Wal-Mart managers linked brand recognition by far as the main reason followed by product performance, advertising and line variety, which were tied for their relative importance.

In the overall survey, Mead was named a top performing brand by half the discount store managers polled, the same results calculated by conventional and upscale discounters.

No. 2 Bic, received less than half the number of mentions as Mead, or one-fifth of total manager responses.

No. 3 Crayola, last year's No. 4 brand behind American Greetings, garnered half the responses of Bic. The response level was an improvement over the crayon brand's 1989 results.

Despite Crayola's improved position on the current stationery survey, its lead over No. 4 Papermate is a slim one percentage point.

In fact, Crayola, Papermate, Stuart Hall and Cambridge, the third, fourth, fifth, and sixth place finishers, respectively, are separated in the standings by mere fractions.

For each of those brands, however, this year's results pumped up their relative standing on the chart. Crayola, Papermate and Cambridge, a division of Mead, moved up one notch apiece. Stuart Hall leaped from the No. 10 spot on the 1989 survey to fifth place this year.

New to the top brands list in stationery were Rubbermaid (No. 7), Scripto (No. 8), Pentel (No. 9) and Norcom (No. 10).

Rubbermaid's rise to the top 10 list can be linked to the chain's growing list of products in the home office category. Its presence will no doubt strengthen in the coming years now that it has acquired Eldon, a big producer of desk and office accessories.

Norcom's rise to the top 10 list comes as the company approaches its 10-year anniversary. A relative newcomer to the category, Norcom has been supplying basic stationery products to K mart, Wal-Mart and Target for some years now. Atlanta-based Norcom has "picked up many new customers this year" including Ames, said Larry Stoffer, national accounts managers. Time and a swelling roster of accounts has contributed to the company's increased recognition by store managers.

In fact, Norcom rose to the No. 5 brand at Wal-Mart and in the South this year, moving past many more well-known names. At Wal-Mart, Norcom tied Crayola, last year's No. 5 finisher.

Mead's dominance as the top performing brand in the stationery category was more decisive at Target than at any of the other chains.

At Target, Mead was mentioned as a top performer by nearly six out of 10 managers surveyed, three times the mention rate of No. 2 Bic, which tied Cambridge for second place. Crayola was the No. 4 stationery brand at Target followed by Pentel.

K mart managers gave Mead its weakest first place showing with one-third the respondents saying it was a top performer, only barely edging out No. 2 Bic. Crayola was the No. 3 brand at K mart followed by Cambridge, and Papermate tied for fourth.

Stuart Hall, which has been in a growth mode the past few years, performed best at Wal-Mart, according to store manager responses.

Stuart Hall received enough responses to make it the No. 2 stationery brand behind Mead. Following Stuart Hall, Wal-Mart managers said their top performers included Bic (No. 3), Papermate (No. 4) and Crayola (No. 5).

At Ames, Mead's Cambridge line was the No. 2 performing brand ahead of Bic, Papermate and Crayola.

The regional breakdowns gave Mead its most decisive win as a top performing stationery brand in the West. In this region six out of 10 store managers name Mead a top performer with Bic a very distant second with fewer than two in 10 responses. Cambridge was a close third.

Northeastern retailers gave Mead its least decisive endorsement with No. 2 Bic close on its heels. Papermate was a distant third in the Northeast followed by Scripto in fourth and Stuart Hall in fifth.

Compared with results from other regions, Mead's lead over Bic in the North Central region was relatively small. However, third-place Crayola still trailed by 10 percentage points. Papermate was the No. 4 brand in the region and Cambridge was fifth.

Over half the managers in the South named Mead a top performer and Bic was mentioned by fewer than two in 10 managers. In third was Stuart Hall, followed by Crayola in fourth and Norcom in fifth.

Stationery: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Mead	49%	46%	49%	47%	49%	37%
Bic	21	27	20	27	30	29
Crayola	10	7	10	7	13	5
Papermate	9	5	10	6	6	4
Stuart Hall	8	3	8	2	6	6
Cambridge	7	4	6	4	14	1
Rubbermaid	4	3	4	2	3	4
Scripto	3	1	3	1	3	1
Norcom	3	—	3	—	—	—
Pentel	2	2	1	1	9	6

Source: Discount Store News/Leo J. Shapiro & Assoc.

Stationery: Top Brands' Performance by Region

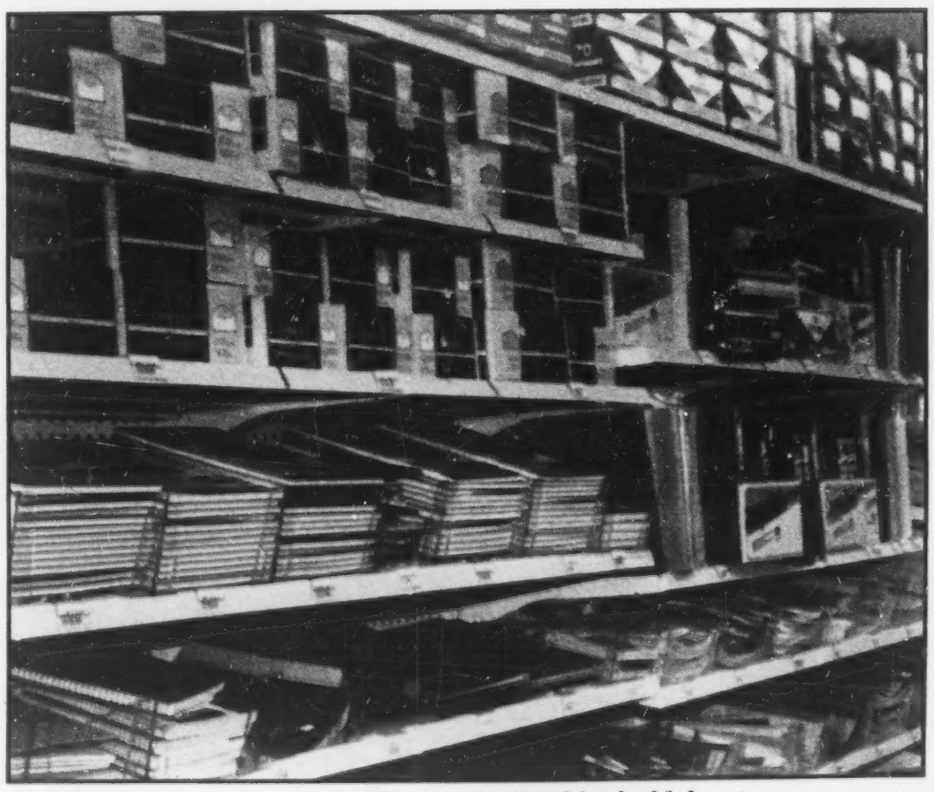
Brand	Northeast	South	North Central	West
Mead	37%	51%	45%	60%
Bic	25	16	29	15
Crayola	4	9	19	1
Papermate	10	6	15	5
Stuart Hall	7	14	4	1
Cambridge	2	6	9	12
Rubbermaid	2	1	7	3
Scripto	8	—	4	—
Pentel	2	1	5	—
Norcom	—	6	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Stationery: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Mead	33%	58%	49%	58%
Bic	29	18	12	22
Crayola	15	10	7	17
Papermate	13	13	10	—
Stuart Hall	—	23	5	6

Source: Discount Store News/Leo J. Shapiro & Assoc.



***Mead was cited** as a top performing brand by half the store managers polled and its Cambridge division moved up one notch.* (DSN photo)

Coleman Overtakes Wilson in Seesaw Struggle

Coleman roared ahead of Wilson in *DSN's* 1990 Top Brands Survey as the two companies continued their seven year long battle for first place in sporting goods.

With its latest victory, Coleman, with strengths in camping and other outdoor equipment, has taken top honors in four out of the last seven annual *DSN* Top Brands surveys. Wilson, known in golf, tennis and team sport circles, has taken first place three times.

In another surprise finding, Spalding, also a major player in golf, tennis and team sports, slipped to fourth place from third, with Zebco, vendors of fishing gear and tackle, edging it out by one percentage point. In contrast, Spalding had held a 10 point lead over Zebco in the 1989 ratings. Spalding had scored a solid third-place ranking in all four annual surveys prior to 1990 and had been closing the gap between itself and the two leaders.

Huffy, best known for bicycles, also made a strong gain over 1989, moving up one notch to the No. 5 spot on the top 10 chart and registering an eight point percentage gain.

Newcomers on the top 10 for 1990 are: Rubbermaid, thanks, no doubt, to its aggressive push in coolers, which ranked No. 7 this year, and Murray, also bicycles, which made the 10th place.

They replaced Berkley and Academy Broadway, Nos. 9 and 10 in 1989, which fell to No. 21 and No. 19, respectively.

Gains that Huffy and Murray made reflects the strong boom in mountain bikes, following stagnant sales in 10-speed street bicycles.

In other changes in the pecking order, MacGregor, maker of baseball, basketball and soccer gear, fell to No. 8 from No. 5 a year earlier, and Franklin, a producer of baseball, basketball, soccer, and volleyball equipment, slipped to No. 9 from No. 4.

Coleman's recovery is all the more remarkable because store managers at both upscale and conventional discounters named it most often as their top brand.

At conventional discounters, about four out of 10 managers surveyed named Coleman a top performing brand, compared with a quarter of the respondents last year. Wilson slipped to the No. 2 spot among conventional discount stores, with three of 10 managers citing it as a top performing brand.

Sporting Goods: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1990**	**1989**	**1990**	**1989**	**1990**	**1989**
Coleman	39%	27%	38%	25%	44%	39%
Wilson	33	32	32	30	40	44
Zebco	22	16	24	19	10	3
Spalding	21	26	19	24	33	33
Huffy	13	5	12	5	13	7
Garcia	7	4	7	3	5	4
Rubbermaid	6	—	7	—	6	3
MacGregor	5	8	6	9	2	1
Franklin	5	4	6	3	4	8
Murray	5	—	5	—	4	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Sporting Goods: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Coleman	40%	60%	34%	44%
Wilson	29	30	51	47
Zebco	33	30	2	14
Spalding	16	20	39	33
Huffy	22	5	7	14

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Zebco, the fishing tackle vendor, *collected enough manager mentions this year to move up from fourth to third.* (DSN photo)

Among upscale discount store managers, the gap separating the top two brands was marginal. Coleman was named a top performing brand by 44% of the surveyed store managers, compared with 39% in 1989. Wilson was named a top performer by 40% of upscale managers this year, down from 44% a year ago.

Among all discounters, Coleman was named a top performer by two-fifths of the respondents up from one-quarter in 1989. One-third the managers said Wilson was a top performer, a one point gain from last year.

In moving up one notch to the No. 3 this year, Zebco scored a strong gain, up six percentage points. That came at the expense of Spalding, which slipped to No. 4 with a loss of five percentage points from 1989.

But most of Zebco's gains in comparison to Spalding came at conventional discounters. In sharp contrast, among upscale discount store managers, Spalding received more mentions than Zebco.

In rankings among top chains, Coleman showed its greatest strength at Wal-Mart, where six out of 10 of managers called it a top performing brand, double the number that mentioned Wilson.

Among K mart managers, four out of 10 said Coleman is a top performing brand, compared with three out of 10 who named Wilson.

On the other hand, Wilson is a top performing brand in the minds of nearly half of Target store managers and more than half of Ames managers, outpacing Coleman.

Spalding also stands tall among Ames managers. Four out of 10 managers named Spalding a top performer, against a mere 2% for Zebco, which eased it out of third place overall. And at Target, Spalding ranked ahead of Zebco, with one-third of managers naming it among its top performing brands, compared with one-tenth for Zebco.

Sporting Goods Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Coleman	32%	44%	43%	25%
Wilson	41	29	40	22
Zebco	12	24	24	26
Spalding	33	24	11	24
Huffy	5	7	24	8
Garcia	5	3	11	8
Rubbermaid	1	8	6	8
MacGregor	7	5	5	6
Franklin	15	2	3	10
Murray	4	1	8	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Zebco, on the other hand made strong showings at K mart, where one-third named it a top performing brand, ahead of both Wilson, and Spalding.

At Wal-Mart, Zebco tied with Wilson, with three of 10 store managers saying each is a top brand, while two of 10 thought of Spalding as among its best performing brands.

Huffy made its strongest showing at K mart, garnering nearly one-quarter of store manager responses, followed by Target, with one-tenth of the mentions.

Regionally, the top brand rankings also varied significantly. Of discount store managers in the South, four out of 10 cited Coleman as a top performing brand, trailed closely by retailers in the North Central states. But in the Northeast, about one-third of managers considered Coleman a top brand and in the West only one-quarter of the respondents named Coleman as among their best performers.

In contrast, the Wilson brands held up best in the Northeast and North Central regions, with about four of 10 managers naming it a best performer.

In the South, Wilson slipped to three of 10 mentions and in the West to two of 10.

In comparison, the Zebco rankings showed remarkable consistency among the four regions, with one-quarter of the managers in each of the four regions saying that Zebco is a best performing brand in their stores.

Massachusetts-based Spalding fared best among Northeast managers, with one-third naming it as a top brand. Next came the South and West, both almost a quarter, while only one-tenth of North Central managers think of Spalding as a best performing brand.

Clues as to why Coleman grabbed top billing from Wilson this year come from the answers store managers gave when asked why their top brand is successful.

Of the total, more than four of 10 attributed Coleman's success to its advertising, compared with less than three of 10 for Spalding.

As a success factor among those who think Wilson is a top brand, only 15% of those surveyed cited advertising.

In managers' perception of product performance, the second most important factor in top brand success, Zebco stood out, with almost two-thirds citing product performance as the reason for success.

Pennzoil Motors Ahead of Quaker State

For the second year in a row, Pennzoil and Quaker State flip-flopped positions in the standings for best performing automotive brands in the minds of discount store managers.

In *DSN*'s Top Brands Survey, it was Pennzoil's turn to surge past Quaker State in the automotives category, with four out of 10 discount store managers naming it as a top performing brand, compared with one-fourth of managers citing Quaker State. That was the reverse of 1989, when Quaker State shot past Pennzoil by about the same margin.

Those sudden reversals contrasted sharply with the 1988 results when the two brands virtually tied, with three of 10 managers naming Pennzoil and almost the same number citing Quaker State as a top performing brand.

What remains constant is their dominance of the two top spots over the past five years. In those years, Quaker State took honors as the top brand three times to two for Pennzoil.

Another constant is the prominence of oils and filters in the top brands survey, reflecting the increasing importance of oil and filter changes as a simple DIY project that the average consumer can still handle in an era of mounting automotive complexity.

As they did last year, five oils made it on the Top 10 chart this year, along with Fram filters, which ranked No. 3, and STP, best known for oil additives, completing the 10.

For Fram, the 1990 survey meant a step up from the No. 4 spot last year. It bumped Valvoline out of third place this year returning it to the middle of the pack, a spot it held from 1986 though 1988.

The other three on the Top 10 chart this year also represent products for simple projects for the backyard mechanic: Prestone, anti-freeze; AC-Delco, batteries and spark plugs; and Turtle Wax, polish, wax and washes.

On the Top 10 chart, Havoline moved up a notch this year to No. 4 from No. 5 in 1989.

In other shifts, Valvoline dropped to No. 6 from No. 3, Prestone moved to No. 5 from No. 7; AC-Delco moved up to No. 7 from No. 9; Turtle Wax moved up to ninth place from No. 10 in 1989; and STP dropped to 10th place from sixth.

Pennzoil gained ground over rival Quaker State in the view of both conventional and upscale managers but gained the most among managers of conventional discount stores. A bit more than four of 10 conventional discount store managers said they regard Pennzoil as their best performing brand, compared with one-third of upscale managers.

In comparison, Quaker State lost status in the thinking of both categories of managers, with one-quarter of conventional managers saying they think Quaker State is a top brand and three out of 10 upscale managers expressing the same opinion.

Fram also gained stature with both categories of store managers but picked up most of its improvement among upscale store managers. Almost half of upscale managers named it their top brand, against one-fifth of conventional managers.

Even brands that fail to make the Top 10 list showed pockets of strength.

About two of 10 K mart managers, for example, cited Amoco as their top performing brand, but none at Wal-Mart and Ames.

Amoco tied with STP with roughly 6% of all store managers—mostly K mart—naming it as among their top performing automotives brands.

Top 10 automotive brands also vary widely in their standing from chain to chain.

Half of K mart managers, for example, named Pennzoil as a top performer, compared with less than one-tenth of Ames managers. On the other hand, more than half of Ames' managers cited Quaker State as a best performer, compared with one-quarter of K mart managers.

In the survey, Fram made its best showing at Target, where six of 10 managers said it was a best performing brand compared with less than one in 10 of K mart managers.

At Wal-Mart, almost four of 10 store managers named Havoline as a top performer, compared with less than one in 10 at both Ames and Target.

Prestone, however, showed a fairly consistent standing among the four chains, with roughly two of 10 managers at each of the four major chains naming it a best performer.

Automotive brand performance also varies widely by region, and some brands appear, as expected, to do better in their home territory.

Pennsylvania-based Quaker State performed best in the Northeast, with almost half the managers citing it as a top performing brand, while only about two of 10 managers in the South and West agreed.

Houston-based Havoline, did twice as well in the South—no doubt thanks to its strength among Wal-Mart managers—than it did in the Northeast and the West.

Detroit-based AC-Delco performed best among North Central managers, while it trailed off in the minds of managers in the Northeast and West.

Pennzoil: Best in the West

In an apparent exception to regional preference, Houston-based Pennzoil made its best showing in the West, with almost three-quarters of Western managers in its camp, followed by the North Central region, with half of those managers. In its home turf, about three of 10 Southern store managers named it as among their best performing brands, while less than one in 10 managers in the Northeast named it a top performer.

As for the factors behind top brand success, managers who named Pennzoil as their best performing brand said brand recognition was the most important, followed by advertising and product performance.

In comparison, those who named Quaker State said the key factor was advertising, followed by brand recognition and product performance.

Managers who named Fram said brand recognition was the most important factor, followed by product performance. Advertising was way down on their list of success factors, trailing low prices.

Discount store managers who cited Havoline as a top performer named the three major success factors as: brand recognition, followed by advertising and low prices. None cited product performance as a reason for success.

Automotives: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Pennzoil	40%	28%	42%	28%	34%	27%
Quaker State	26	39	25	39	30	41
Fram	25	17	21	16	46	26
Havoline	20	14	22	16	9	6
Prestone	17	9	15	8	24	12
Valvoline	15	18	15	19	15	12
AC-Delco	12	5	12	5	9	8
Castrol/Castroil	10	8	8	6	22	16
Turtle Wax	9	5	10	5	5	4
STP	6	12	6	12	4	10

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***Prestone moved to No. 5** from last year's No. 7 spot and showed a fairly consistent standing at the top discounters.*

Automotives Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Pennzoil	8%	30%	50%	73%
Quaker State	46	19	27	21
Fram	15	30	27	17
Havoline	7	29	19	12
Prestone	18	20	15	12
Valvoline	13	15	18	9
AC-Delco	4	11	17	8
Castrol/Castroil	16	17	3	7
Turtle Wax	8	6	13	10
STP	18	3	4	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Automotives How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Pennzoil	49%	40%	7%	39%
Quaker State	26	20	51	31
Fram	7	33	34	58
Havoline	18	38	7	8
Prestone	15	18	20	17

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Stanley, B&D Cement Hold on Top Two Spots

Thanks primarily to increased mentions among upscale discount store managers, Black & Decker squeezed ahead of Stanley by a narrow margin for honors as the No. 1 hardware brand in the 1990 *DSN* Top Brands Survey.

That reversed the results of the 1989 Top Brands survey, when managers by a tiny margin named Stanley more often than Black & Decker as a top brand.

For the past five surveys, Black & Decker and Stanley have owned the two top spots, with Black & Decker garnering the highest percentage of mentions by store managers as a top performing brand in three of the past five years. Stanley has taken Top Brand honors in the hardware category the other two years.

The most dramatic results of the 1990 survey were the rise of Glidden in the standings and the decline of General Electric.

Glidden paint spurted to No. 3 on the Top 10 chart from ninth place, with twice as many upscale store managers citing it as a top brand as conventional discount store managers did.

Glidden displaced GE, which slipped to a sixth place tie with Shop Vac just behind Skil and Dutch Boy, which tied for fourth place.

A comer is Dutch Boy, which is aggressively promoting itself as a discount industry brand. It ranked No. 5 on this year's Top 10 chart, whereas it failed to appear at all last year.

Lucite, a paint brand that PPG acquired in February 1990, fell out of fourth place to 10th among top performing brands in the hardware department. Lucite's overall share of top brand mentions, however, declined by only one percentage point, illustrating how closely the last eight of the Top 10 are bunched within a narrow percentage range. But its 2% share of all top brand mentions contrasts sharply with its 9% share in 1988.

On this year's survey, the top two garnered an even larger share of total mentions than they did in last year's poll of store managers.

Thus, with top brand popularity so widely fragmented beyond those two, it takes only a handful of store managers to change their minds about the performance of most hardware brands either to push them onto the Top 10 or yank them off. Expect, therefore, to see extreme volatility in the Top 10 ratings, except for the top two brands.

Other newcomers to the 1990 Top 10 chart are: Shop Vac; McCullough, chain saws; and Hirsh, closet organizers.

Royal, Rubbermaid, Bull Dog and Great Neck, which each got a point or two of total top brand mentions last year, dropped off the chart in 1990.

Although Black & Decker edged out Stanley in the 1990 survey because of increased standing in the minds of upscale discount store managers, Black & Decker was just about equally popular with each type of manager.

Similarly, Stanley draws its strength almost equally from managers of both upscale and conventional discount stores.

For the top two brands, regional variation in the results are slight.

About three-quarters of North Central store managers named Black & Decker as a top brand, trailed closely by about seven out of 10 in the Northeast and South. In the West, the proportion fell to a bit less than six out of 10.

Stanley did better in the North Central region and the South, with about seven of 10 managers naming it as a top performing brand, with better than six of 10 managers in the Northeast and West considering it one of their best performers.

Regional variations are more pronounced for other top brands. Glidden, for example, drew its strength from the Northeast, the North Central region and the South.

Dutch Boy garnered most of its top brand mentions from the North Central region, with only tiny percentages from the other three regions.

GE showed strength in the South and North Central regions, but virtually none in the Northeast and West.

And, Shop Vac got most of its top brand mentions in the North Central region and the West, with none in the Northeast and just a tiny percentage in the South.

Standing of the top brands also varies by chain.

Almost nine of 10 Target managers named Black & Decker as a top performing brand, compared with eight of 10 K mart managers, a bit less than eight of 10 Wal-Mart managers and a little less than seven of 10 of Ames managers.

About eight of 10 managers at Wal-Mart, Target and K mart cited Stanley as one of their top performers, compared to less than seven of 10 Ames managers.

The percentage of K mart managers who cited Glidden as a top brand was three times as large as those at the other three chains.

Skil drew all of its top brand mentions from Target managers, while Dutch Boy received top performing mentions from K mart and Wal-Mart managers but none from Ames and Target managers.

The dominance of Black & Decker and Stanley is so entrenched that the third, fourth and fifth-place hardware labels at each chain barely garnered enough responses to report.

The situation is slightly different at K mart, where store managers mentioned Glidden (No. 4) and Shop Vac (No. 5) in sufficient quantity as to merit a mention.

The survey also found that store managers regard hardware as the third-ranking category in their store in terms of the influence they can exert over its product selection and display. Wal-Mart managers, along with managers of smaller chains, indicated that they can exert influence over their hardware departments. In that regard, hardware trails food, candy and snacks, and health and beauty aids, Nos. 1 and 2, respectively.

An exception were Target managers, none of which mentioned having influence over the hardware category. Target headquarters has been eliminating hardware items that call for much DIY skill beyond basic knowledge.

As for why the two top hardware brands succeeded, managers ranked the three key factors in differing order.

For Black & Decker, managers said advertising was the most important factor, followed closely by brand recognition. Product performance was a distant third.

But for Stanley products, managers mentioned most often product performance as the chief reason for its success as a top brand, with brand recognition trailing closely.

Hardware: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Black & Decker	71%	55%	70%	55%	75%	54%
Stanley	68	57	68	55	69	68
Glidden	7	1	6	1	14	13
Skil	5	4	5	4	4	2
Dutch Boy	5	—	5	—	1	—
General Electric	4	8	3	7	7	12
Shop Vac	4	—	4	—	2	—
McCullough	3	—	3	—	1	—
Hirsh	2	—	2	—	4	—
Lucite	2	3	2	3	4	1

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***Store managers attributed** Black & Decker's success to a combination of effective advertising and brand recognition.* (DSN photo)

Hardware: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Black & Decker	84%	78%	68%	86%
Stanley	76	80	68	78
Glidden	15	5	5	6
Skil	—	—	—	6
Dutch Boy	11	8	—	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Hardware: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Black & Decker	68%	71%	77%	58%
Stanley	62	69	72	61
Glidden	—	8	8	10
Skil	—	2	10	8
Dutch Boy	1	2	10	3
General Electric	—	6	5	—
Shop Vac	—	1	6	6
McCullough	1	—	3	3
Hirsh	1	—	5	—
Lucite	4	2	2	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Fisher-Price Holds On to No. 1 Position

Fisher-Price was again the top ranked toy brand with discount store managers but in a much weakened position from last year, according to results of *DSN*'s 1990 Top Brands Survey.

Probably still feeling the impact of last year's manufacturing and distribution troubles, this year's plant closings and layoffs, and the after effects of its spinoff from parent Quaker Oats, Fisher-Price's position as the best performing brand in the toy department is being challenged by second-place Mattel, which advanced in the minds of many store managers.

Mattel lost ground at upscalers like Target, where the mention rate was cut in half from last year. Mattel tied for first place with F-P on the 1989 survey, but fell to third this year behind F-P and Playskool.

Last year, store managers named F-P as the top performing brand by a 1-to-2 margin over Mattel. This year, the margin closed considerably.

No. 3 Playskool, No. 4 Little Tikes, Milton Bradley (No. 5) and Hasbro (No. 6) all held onto their 1989 ranking and with greater strength.

F-P was named a top performer by fewer than six out of 10 store managers this year compared with seven out of 10 in 1989. Four of 10 managers named Mattel a top performer, up from three of 10 a year ago.

However weakened, F-P remains the best performing brand in toys due largely to its mentions by managers at upscale discounters such as Target and conventional discounter Ames.

In fact, F-P's best showing was recorded at Ames. More than nine out of 10 Ames store managers named F-P a best performer in the toy department, a gain of nine percentage points from 1989.

A newcomer to the Top 10 list in 1990 is not a brand but a license. Teenage Mutant Ninja Turtles was named by store managers as a top performing brand often enough to rank it as the No. 6 brand this year, tied with Hasbro. The Turtles also were the No. 5 ranked toy brand by K mart and Target store managers.

Among all upscale discounters, The Turtles also ranked fifth. And in the West, Ninja Turtles became the No. 4 toy brand, outpacing Milton Bradley, Little Tikes and Huffy.

In addition to The Turtles, new to the Top 10 list in toys this year is Parker Brothers, (No. 10) indicating the renewed popularity of board games.

Gone from the Top 10 list in 1990 are Kenner, which tied Lego for seventh place last year, and Tonka, which tied Huffy for the No. 9 spot on the 1989 survey.

This year, Kenner fell to 14th behind Tonka (No. 11), Murray and Nintendo (tied for 12th). Kenner's best showing was at Ames, where managers mentioned the brand often enough to make it No. 5 on the toy list.

Huffy moved up to the No. 8 spot on the current survey and Lego fell to ninth this year, but with more responses.

Among conventional discounters such as K mart, Wal-Mart and Ames, the Top 10 toy brands mirrored the "all discounters" list. A major difference was F-P's hold on the No. 1 spot was slightly weaker and Mattel's position as the No. 2 brand was stronger. Playskool had a slightly weaker showing among conventional discounters, as did Lego.

Among upscale discounters, F-P had its best showing, although somewhat softened from 1989, but Mattel had its worst showing here. Managers at upscalers named Mattel a top performing brand half as often as they did last year. Only three in 10 upscale discount store managers named Mattel a top performer on the current survey compared to nearly eight of 10 in 1989.

Little Tikes, Milton Bradley, Hasbro, Huffy and Parker Brothers received fewer mentions as top performing brands this year among store managers at upscale discounters.

The toy brands gaining strength in the minds of store managers at upscale discount stores include Playskool, which nearly doubled its rate of mention this year, and Hasbro, which was mentioned as a top performer by one in 10 managers compared to half as many in 1989. Lego also substantially improved its showing among managers at upscalers.

At the individual discount store chains, the top five toy brands got reshuffled a bit.

Mattel and Playskool gained strength at K mart, Wal-Mart and Ames, but fell slightly at Target. Little Tikes was named a top performer more often this year than last year everywhere but at Ames, and Milton Bradley improved its standing as a top performer only at K mart.

At K mart, the top performing brands, in order, were Mattel, F-P, Playskool and Milton Bradley and Ninja Turtles tied for fifth. Little Tikes, Hasbro and Lego tied for sixth.

Wal-Mart store managers placed F-P first followed by Mattel, Little Tikes, Playskool and Huffy.

Ames store managers named F-P a top performing brand most often to make it the No. 1 brand at that chain followed by Mattel and Playskool in a tie for second, followed by Little Tikes and Kenner.

F-P was the top performer among Target managers followed by Playskool, Mattel, Little Tikes and Ninja Turtles.

F-P lost ground everywhere but in the South where it nudged up slightly to garner two-thirds the responses, followed by Mattel, with nearly half the managers naming it a top performer.

The Northeast region handed Fisher-Price its greatest loss, where responses fell off by 24 percentage points from 1989. Nevertheless, F-P was still able to hold onto the No. 1 spot in the Northeast. It was followed by Playskool, Mattel, Milton Bradley and Hasbro.

In the North Central region, two-thirds of the respondents said Fisher-Price was a top performing brand, giving it the No. 1 spot, followed by Mattel, Playskool, Little Tikes, with Milton Bradley and Ninja Turtles tied for fifth.

Western-based store managers mentioned Mattel most often as a top performer, followed by F-P, Playskool and Ninja Turtles. Little Tikes, Milton Bradley and Huffy tied for fifth.

As for the factors that store managers attribute to the success of their best performing toy brands, advertising (39%), brand recognition (33%) and product performance (29%) were the major ones.

For the top three toy brands, Fisher-Price, Mattel and Playskool, advertising, brand recognition and product performance formula differed slightly from the norm.

Store managers who named Mattel as a top performer played down product performance as a factor, and instead ranked advertising and brand recognition as the major factors for the brand's success.

For those who named Playskool, store managers said product performance was just about the only reason for the brand's success, according to store manager responses. Advertising and brand recognition were hardly mentioned at all.

Of the 22 categories managers commented on for the 1990 survey, toys ranked sixth as the category they have the most influence over in terms of product selection and display, behind food, candy and snacks, H&BA, hardware, household cleaners and chemicals, and sporting goods.

Store managers claiming the most influence over the department were those at Wal-Mart.

Toys: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Fisher-Price	57%	66%	54%	63%	72%	77%
Mattel	42	32	44	30	35	77
Playskool	32	24	29	23	49	29
Little Tikes	21	16	22	16	19	19
Milton Bradley	14	11	15	10	12	18
Hasbro	13	8	14	8	10	5
Teenage Mutant Ninja Turtles	13	—	13	—	14	—
Huffy	10	3	12	3	3	—
Lego	6	5	5	5	9	5
Parker Brothers	4	2	4	2	3	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

***Fisher-Price held** its own despite a weakening from last year. Mattel, in second, got increased mentions from store managers this year.* (DSN photo)

Toys: Top Brands' Performance by Region

Brand	Northeast	South	North Central	West
Fisher-Price	57%	59%	61%	45%
Mattel	35	41	42	51
Playskool	43	26	35	33
Little Tikes	20	27	19	15
Milton Bradley	25	9	15	14
Hasbro	23	11	14	8
Teenage Mutant Ninja Turtles	10	8	15	22
Huffy	—	13	10	14
Lego	7	3	8	8
Parker Brothers	8	2	6	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Toys: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Fisher-Price	42%	60%	93%	81%
Mattel	49	43	32	31
Playskool	40	20	32	39
Little Tikes	16	38	17	19
Milton Bradley	24	10	2	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

American Greetings Nabs Managers' Nod

American Greetings emerged as the No. 1 greeting card brand at discount stores, outperforming No. 2 Ambassador by a more than 2-to-1 margin.

DSN's 1990 Top Brands Survey represents the first time the greeting cards category has been examined for brand preference.

Since 1986 when *DSN* started Top Brands, greeting cards were included in the stationery survey and was represented by at least one brand. But last year, four greeting card labels made the Top 10 stationery list—American Greetings, Ambassador, Gibson and Hallmark—and *DSN* decided to make it a separate category in 1990 so brand performance can be better examined.

Store managers were asked the same battery of questions on greeting cards as they were for the other 17 merchandise categories in the survey including which brands performed best in their stores and what are the attribute of their top sellers.

Often, discounters have just one greeting card brand on their shelves. Others may split the category between two greeting card manufacturers and possibly a third in a minor role. But unlike categories such as H&BA or toys, for example, multiple brands are not represented in greeting card programs. Therefore, the results of the greeting card brands survey could change annually as the makers gain or lose retail accounts or the nature of the business changes dramatically.

For example, Sangamon, the No. 5 ranked greeting card brand would be hard-pressed to improve its standing in the survey unless Target, Ames and Wal-Mart take on the label.

Consequently, what managers identify as a best performing brand in the greeting card category primarily rests with the brand being the only one carried. More than three-fourths of the respondents attributed their lone brand as a best performer because it was their only choice. Variety of merchandise was often cited as the second most important attribute of their top performing brand. Advertising was a very distant third and brand recognition was fourth.

Overall, American Greetings was the No. 1 greeting card brand followed by Ambassador in second place. Gibson, came in third; Sangamon, fourth; and Hallmark, fifth.

Hallmark, of course, does not service discount stores. Instead, Hallmark is represented by Ambassador, its mass market division.

American Greetings made a clean sweep of first place among conventional and upscale discounters, the Big Four chains, and in all four regions. Its fared best at Ames where nearly eight out of 10 managers named American Greetings a top performer. Its worst results came at the hands of "other conventional discounters." Only one-third of those managers named American Greetings a top performer, outpacing Ambassador and Gibson.

Ambassador was the No. 2 greeting card label with one-fifth the managers naming it a top performer, results that were nearly three times the responses for Gibson.

Target managers were the most enthusiastic about Ambassador. More than four in 10 managers named it a top performer, 11 percentage points behind American Greetings. Ambassador was not a factor at K mart.

Gibson, in the No. 3 spot, performed best among other conventional discounters but was not a factor at any chain.

Sangamon, in fourth, made the top brands list because of its presence at K mart. One-fifth the managers named Sangamon a best performer, second to American Greetings. Sangamon should improve among K mart managers in the 1991 survey since the greeting card company is gaining more emphasis at the chain.

At No. 5, Hallmark made the top brands list due to responses by "other upscale discounters."

In the regions, American Greetings had its best showing in the Northeast. Nearly two-thirds the store managers called American Greetings a top performer, five times more than the No. 2 Ambassador.

Ambassador's best showing was in the South where more than one-fourth the managers named it a top performer, about half the response level for American Greetings.

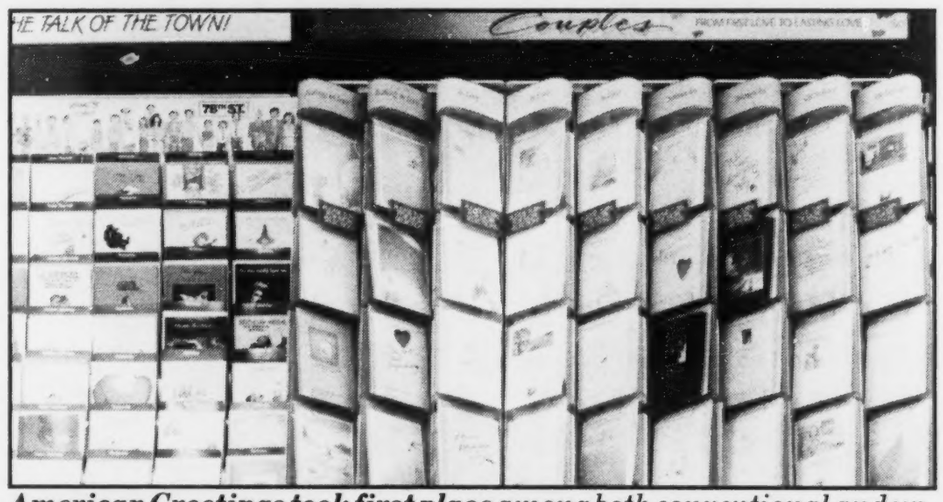
American Greeting's weakest regional result was in the West. Four in 10 managers named it a top performer. Ambassador and Gibson tied for second place followed closely by Hallmark in fourth. For Gibson these results were its best.

Sangamon was not a factor in the Northeast, according to manager responses, but was No. 3 in the North Central region behind American Greetings and Ambassador.

Greeting Cards: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
American Greetings	51%	17%	49%	17%	62%	16%
Ambassador	20	4	19	4	28	6
Gibson	8	4	9	4	—	—
Sangamon	6	2	7	2	—	—
Hallmark	5	3	5	4	9	1

Source: Discount Store News/*Leo J. Shapiro & Assoc.*



***American Greetings took first place** among both conventional and upscale discounters, followed by Ambassador.*

Greeting Cards: How Industry's Top 5 Fare at Chains

Brand	K mart	Wal-Mart	Ames/Zayre	Target
American Greetings	58%	53%	78%	53%
Ambassador	4	33	7	42
Gibson	4	5	2	—
Sangamon	6	7	22	—
Hallmark	5	5	7	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Greeting Cards: Top Brands' Performance by Region

Brand	Northeast	South	North Central	West
American Greetings	62%	49%	53%	44%
Ambassador	13	26	18	16
Gibson	5	7	7	15
Sangamon	—	5	8	6
Hallmark	8	2	5	13

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Tide Whitewashes Competition to Stay in No. 1 Position

(Continued from page 79)

Cheer, and Procter & Gamble and Wisk tied for fifth.

Tide received its weakest support from K mart managers. Fewer than half of them mentioned the laundry detergent as a top performer. However, Tide received nearly double the number of responses this year as it did in 1989.

Clorox, Purex and Fantastic shared the No. 2 spot in household cleaners at K mart, followed by Formula 409 in fifth.

At Ames, Tide led the brands list, off eight percentage points from last year. Procter & Gamble and Clorox tied for the No. 2 spot and Windex was a weak fourth. No other brands received enough mentions by store managers to warrant mentioning a fifth-place finisher.

Brand performance in the regions was led by Tide and Clorox.

Procter & Gamble was fourth and Cheer and Windex tied for fifth in the Northeast.

Purex, P&G and Windex garnered enough mentions finish in third, fourth and fifth place in the South, and, in the North Central region, Tide and Clorox were followed by Dawn, P&G and Purex.

Windex, Formula 409 and P&G were mentioned by store managers often enough in the West to finish in third, fourth and fifth, respectively.

***Tide took the No. 1 position** by more than half of store managers surveyed.* (DSN photo)

Frito-Lay Chips Away to Get No. 1 Position

Frito-Lay regained the top spot in the food, candy and snacks category in *DSN*'s 1990 Top Brands Survey, pushing back Hershey's, which took the lead last year.

Hershey's fell to third behind M&M/Mars, which moved into the No. 2 position.

M&M/Mars includes just M&M's and Mars brands and not the company's other brands, such as Snickers.

In previous years, M&M/-Mars brands—M&M's, Mars, Snickers and Milky Way—received significant responses on their own and were reported individually. Not this year.

On the current survey, both Snickers and Milky Way bars barely received any responses from store managers. This is particularly significant for Snickers, which was the No. 6 brand last year and the No. 2 brand in 1988.

While M&M/Mars emerged as the No. 2 brand on the survey this year, the labels garnered far fewer responses from store managers than they did in 1989. This year, three in 10 store managers said the two candy labels were top performing brands, compared with four in 10 last year.

Hershey's, the No. 1 food, candy and snack label in both 1988 and 1989, lost ground everywhere except among North Central region store managers and at Wal-Mart and Target, almost a complete reversal from 1989's survey results.

This year, just three in 10 store managers named Hershey's a top performing brand in the food, candy and snacks category, down from one-third of the managers last year. Hershey's does have the chance to strengthen its position this year, however, with the introduction of its new Kisses with almonds, introduced with much fanfare in New York's Times Square Sept. 18.

But it was American's taste for salty snacks that once again propelled Frito-Lay to the top of the brands survey. One-third of all store managers surveyed said Frito-Lay, the maker of Frito's-brand corn chips and Lays potato chips, is a top performing brand. As in the past, store managers did not mention Frito's or Lay's separately.

This year, seven of the Top 10 brands returned to the list, most with more responses than last year. The only exceptions were M&M/Mars, Hershey's and Brach's.

What's interesting about the improved responses for seven of the Top 10 is that they were able to improve their positions during an increasingly competitive market.

Store managers named 33 food, candy and snacks labels this year as top performing brands, up from 27 last year. Therefore, the greater number of labels did not force a dilution of the top brands.

New to this year's Top 10: Pepsi, at No. 8; Ocean Spray, at No. 9; and Fisher, at No. 10.

The top seven brands, although still the category's best performers, were reshuffled this year.

In addition to Frito-Lay retaking the No. 1 spot, M&M/Mar's grabbing second place and Hershey's in third, Planters became the No. 4 brand, up from fifth last year, and Nabisco rose to fifth from eighth. Brach's, the No. 4 brand on the 1989 survey, fell to sixth this year and Coke became the No. 7 brand, up two spots from last year.

Frito-Lay held the top spot among conventional and upscale store managers, in the South, North Central regions, and at Wal-Mart. The brand lost some luster in the Northeast and at Ames and Target, according to survey results.

Among conventional discounters such as K mart, Wal-Mart and Ames/Zayre, Frito-Lay was the No. 1 food, candy and snack brand followed by Hershey's and M&M/Mars, a very close third. Planters was fourth among these managers, followed by Nabisco.

At upscale discounters such as Target, M&M/Mars was most often mentioned as a top performing brand, followed by Frito-Lay in second, Planters in third and Hershey's in fourth. Nabisco and Fisher tied for fifth followed by Coke.

The real differences in the line-up of top performing brands in the food, candy and snacks category occurred among the individual retailers.

M&M/Mars was the big winner among the four major discount store chains, winning the top spot at two chains.

More than half the Ames store managers surveyed said M&M/Mars is a top performing brand followed by Hershey's with nearly three in 10 store managers. Planters was third with almost one in five store manager responses followed by Brach's in fourth and Frito-Lay in fifth.

Almost half of the store managers at Target said M&M/Mars is a top performer in the food, candy and snacks category and Frito-Lay was a close second with two-fifths of the responses. Planters took the third berth with a little more than a quarter of the store manager responses followed very closely by Fisher nuts in fourth and then Hershey's in fifth.

At Wal-Mart, Frito-Lay was the No. 1 brand with more than half the store managers naming it a top performer. Hershey's, Planters and Nabisco all tied for second place with two out of 10 responses and M&M/Mars was fifth.

It was a close contest at K mart. Almost four out of 10 K mart managers named Planters a top performer, enough to give it the No. 1 spot on the food, candy and snacks list. Hershey's was second with one-third of the managers responses followed closely by M&M/Mars with slightly more than three of 10 mentions. Frito-Lay was fourth with nearly the same number of responses. Nabisco was fifth with one in 10 managers naming it a top performer.

In the regions, Frito-Lay was No. 1 in the South and North Central states, and M&M/Mars headed the list in the Northeast and West.

Frito-Lay also finished second in the West and fourth in the Northeast.

In addition to its two first place showings, M&M/Mars was second in the South and fourth in the North Central states.

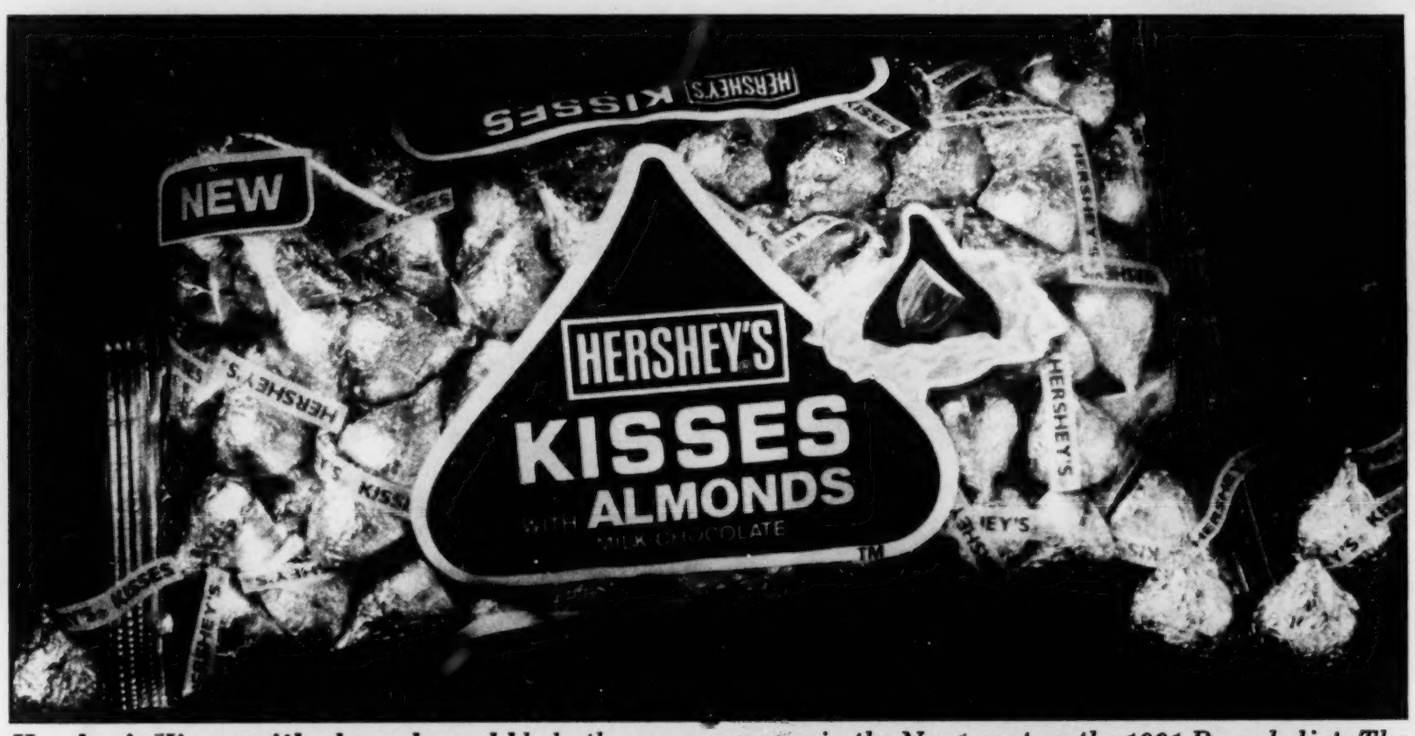
Hershey's was second in the Northeast and North Central states. Planters was third and Nabisco was fifth in all regions.

Store managers attribute the success of their top performing food, candy and snacks brands to brand recognition, advertising and product performance.

Food, Candy, Snacks: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1990	1989	1990	1989	1990	1989
Frito-Lay	34%	25%	35%	25%	30%	28%
M&M/Mars	33	44	30	42	47	58
Hershey's	29	33	31	33	18	30
Planters	27	15	27	14	23	24
Nabisco	16	7	16	8	14	1
Brach's	13	16	14	18	11	5
Coke	7	5	6	3	13	11
Pepsi	5	4	4	3	9	5
Ocean Spray	4	2	5	2	1	—
Fisher	4	—	2	—	14	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*



***Hershey's Kisses with almonds could** help the company regain the No. 1 spot on the 1991 Brands list. The new candy was launched Sept. 18 in New York where a 500-pound-replica of the kiss was dropped from 1 Times Square, the only item other than the New Year's Eve ball to be dropped from the landmark building.*

How Industry's Top 5 Fare at Chains Food, Candy, Snacks

Brand	K mart	Wal-Mart	Ames/Zayre	Target
Frito-Lay	29%	58%	7%	42%
M&M/Mars	31	15	56	47
Hershey's	33	20	27	17
Planters	38	20	17	28
Nabisco	15	20	5	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Food, Candy, Snacks Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Frito-Lay	18%	32%	44%	31%
M&M/Mars	45	28	31	39
Hershey's	40	23	33	24
Planters	19	25	31	27
Nabisco	13	15	16	19
Brach's	7	15	16	7
Coke	12	6	7	3
Pepsi	8	4	5	5
Ocean Spray	—	9	2	—
Fisher	—	5	4	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Kmart's Office Square to Merge With OfficeMax

(Continued from page 1)
completed by early November.

Rather than signal its exit from the office supply business, the move illustrates K mart's willingness to let a management team with more expertise in the office supply field manage the discounter's stake.

For OfficeMax, K mart's equity position and substantial cash infusion will place the company in a better position to grow and "transcend our regional orientation and solidify our presence" in both existing and new markets, said Michael Feuer, president.

OfficeMax plans to have more than 110 office supply megastores in operation by July 1992, added Feuer, noting that he expects to have 65 units by July 1991.

The merger will make OfficeMax the eighth largest office supply chain.

Growth through acquisition has become a standard practice at K mart and is becoming one at OfficeMax.

The acquisition of Office Square marks the second acquisition for OfficeMax in the company's young history. In April, OfficeMax acquired the seven-unit Office World. Office World operated its stores in Chicago, and those units now are called Office World by OfficeMax.

Feuer plans further acquisitions as a way to grow the company, perhaps acquiring chains at the rate of one every six months. K mart's financial participation makes such a goal possible.

Feuer said he was happy to exchange equity in the company for cash. His team can now tap the larger firm's resources and expertise.

"We wanted to be in control of our destiny and we selected the company with whom we had the same philosophical views," Feuer said.

K mart approached OfficeMax with the sale/equity/cash offer more than six months ago. Negotiations were held directly with K mart chairman Joseph Antonini and chief financial officer Thomas Murasky.

Feuer said he agreed to the transaction because he was impressed with Antonini, Murasky and the entire K mart management team. He also said he liked the direction K mart executives were taking with their own company, and that their "chemistry worked."

With its purchase of a stake in OfficeMax, K mart has again shown its eagerness to seek prosperous retail concepts and meld them into its growing specialty division. That is particularly important to the giant discounter since it has been unable to start up and grow winning specialty chains of its own in recent years.

Like its ill-fated off-price apparel start-up in the early '80s—Designer Depot—K mart's two most recent start-ups—Office Square and Sports Giant—were floundering. Earlier this year, K mart acquired the young Sports Authority chain and folded Sports Giant into it.

Similarly, after purchasing Makro, a small hybrid membership club/hypermarket chain, K mart went out a bought a proven winner in Pace Membership Club.

To its credit, K mart has seen each of its specialty chains (Builders Square, Pay Less Drugs NW, Waldenbooks) grow to become top players in their respective fields (home centers, drug stores, book stores).

Under terms of the agreement, K mart has the right to acquire additional equity in OfficeMax within a specified period of time. Neither the final equity position nor the time frame were made public.

Industry observers speculate that K mart plans to eventually assume full ownership of OfficeMax once it becomes a formidable national chain.

In addition to the far-reaching financial advantages of the pending sale, the Office Square acquisition permits OfficeMax to claim dominance over the Chicago market—now with 11 units. It also helps the chain move with strength into other areas, particularly in the Midwest and then into the Northeast.

Feuer said OfficeMax is currently "evaluating our strategic focus for next year and looking at adding stores in existing markets plus other areas." He would not disclose potential new markets but did say that he would "not be jumping to California or Florida next year barring an acquisition."

OfficeMax signs will go up on all Office World by OfficeMax and Office Square stores when the current sale is completed.

Because the stores from both chains are fairly compatible, little remodeling will be necessary, said Feuer, noting that in addition to exterior signs, OfficeMax will changes interior signage and color scheme to match OfficeMax's format but that the basic merchandise selection will remain intact.

QVC Integrates CVN Strategies

(Continued from page 6)
the CVN acquisition. Sales in the six months ended July 31 of $320.1 million were up 198% from $107.4 million last year, while there was a $10.3 million net loss compared with $2 million in net profits in 1989. In the first quarter ended April 30, volume increased 207% to $161.3 million from $52.5 million, while the bottom line showed a $5.8 million net loss compared with $1.2 million in net earnings.

QVC's sales goal this year was $900 million, or double 1989's $454.3 million volume. But Segal backed off that figure, telling security analysts "I don't see reaching it because of the weakening economy."

Besides recapturing the former CVN shoppers as QVC customers, QVC, through its new programs, is shooting to bring their purchases up to its average sale of $42.

Jewelry merchandise accounts for about half of QVC's sales, with the teleshopper's share of Sears products sold on its network amounting to 7% to 8% of volume and QVC's revenues from the JCPenney TV Shopping Network totaling 1% to 2% of sales. QVC gets 25% of the revenues of Sears goods sold on its program while its revenues from JCPenney TV Shopping Network are a combination of a percentage of sales and income from leasing a transponder to that network.

Segal noted that QVC's sales don't include income from shipping and handling charges. He said that HSN includes these charges as part of its sales. Trade sources noted that these revenues account for about 12% of HSN's volume and that the shipping and handling operation is a profit center for that teleshopper.

The three marketing moves, Segal said, are expected to attract former CVN customers, many of whom indicated these features were an important shopping benefit when they decided to purchase goods on CVN.

QVC will also spend about $2.5 million in a major promotional mailing to over six million cable households that had received CVN.

Overall, QVC estimated that about 31 million cable TV subscribers who can receive the teleseller haven't bought any goods from the network. The retailer's total customer base last year—consumers who had placed at least one order with either QVC or CVN—was 4.5 million households.

To strengthen its reach to the broader cable TV market, which include homes that use backyard satellite dishes to view programs, QVC is expanding its marketing relationships with sport figures, movie stars and other celebrities. Johnny Bench, Brooke Shields, Victor Kiam, Helen Hayes, Bobby Rydell, Bob Keeshan (Captain Kangaroo) and Angie Dickinson are among the celebrities that have appeared on QVC shows.

Kmart Reveals Logo for the '90s

(Continued from page 1)
changing to satisfy the needs of our customer. But nothing we've ever done compares to the changes we'll be making over the next five years.

"We're changing the way we look, feel and act. With more brand-name products, new store designs, and improved service. We know you want to feel good about where you shop. So we're going to do everything it takes to make you love the new K mart."

Ironically, it was *USA Today* that broke the story and stole the thunder from K mart's announcement. The day before the scheduled press conference a reporter for the newspaper discovered shopping carts with the new logo behind the Oak Park store. As a result, K mart was forced to release the big news earlier than it wanted to.

However, while it took less than an hour to unveil its new logo, it will take K mart at least five years before the logo is in place systemwide. While Antonini would prefer to have the entire modernization program completed earlier, there are currently no plans to further accelerate the five-year plan. The logo will be rolled out in phases. Antonini said all newly built and expanded stores will get the logo, while other stores will convert to the new signage as they are refurbished. He pointed out that by year-end just over 100 of 2,300 stores will have the new look. The entire rollout will be completed by 1995.

The new red and white logo was designed by Anspach, Grossman, Portugal Inc. (AGP), a New York-based design firm. It emphasizes the bold, red "K" with the word "mart" centered on an angle. According to Ken Love, partner and creative director for AGP, the illuminated sign is constructed of acrylic and aluminum, making it stronger and easier to maintain than the old sign.

Despite the transition from blue to red, Antonini said the nostalgic blue light specials "are not a thing of the past."

With his family and friends watching, Antonini unveiled the logo a second time in Morgantown. "Look around this store ... and be proud of the new look," Antonini told over 100 employees in the entranceway to the store, again emphasizing the chain's commitment to renewal.

The 86,500-square-foot store anchors the new upscale Morgantown Mall at I-79 and Route 19 along with JCPenney and Sears. It features a prototype layout identical to the Oak Park store, which debuted in August 1989. This "look of the '90s" incorporates more colorful displays, bolder product presentations, wider aisles, and higher ceilings.

One of the key changes now being incorporated into the prototype is a new "dump table" program. Well-planned and coordinated products are again being merchandised in the wider aisles as special purchases. A K mart executive said this program will be planned by headquarters and rolled out nationwide.

Antonini told DSN that the new prototype format has increased sales per square foot significantly. He said that stores with the new format average $190 to $250 per square foot, an increase of $40 to $50.

K mart now operates 16 stores in West Virginia and has identified the state as a key growth area with more than 12 additional stores being planned. K mart has over 1,800 employees in the state.

A week after the Morgantown opening, Antonini and lifestyle consultant Martha Stewart attended ribbon-cutting ceremonies for another store in Birmingham, Ala.

Fleming to Feed New Super K mart

TROY, Mich. — Fleming Companies will be the primary food supplier to the new Super K mart Center scheduled to open next spring in Medina, Ohio.

Larry Parkin, K mart's executive vice president for warehouse and grocery operations, said Fleming "has the capability to provide the support necessary to help assure this venture's success."

Fleming is the nation's largest wholesale food distributor, supplying more than 5,000 stores in 36 states and the Caribbean.

The Super K mart will be a 147,000-square-foot food and general merchandise store.

In addition to supplying foodstuffs for K mart, Fleming was the original supplier to Wal-Mart's Hypermarket USA in Topeka, Kansas.

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Influence of Store Managers Has Its Limits

(Continued from page 1)
cation and brand promotions. Even fewer, about 15%, said they can influence decisions made by their headquarters buyers, and only about 12% feel they can veto the selection of a product for their store.

Further, nearly half the managers surveyed said they have no influence at all on whether or not to stock a brand in their store; more than half said they have no ability to influence a buyer's decision; and four out of 10 said they have no influence on which brands are promoted.

Predictably, Wal-Mart managers were most confident of their ability to shape merchandising decisions. Deeply ingrained in the Wal-Mart culture is the notion that store associates are merchants, whose opinions are deeply valued by those at headquarters.

Eight out of 10 managers of a Wal-Mart discount store feel they exert a good deal of influence on the way merchandise is displayed in their store; nearly half said they have a "great" deal of influence on merchandise displays. That compared with 20 percent of K mart and Ames store managers who said they have a "great" deal of influence on product displays. Still, even at K mart and Ames, roughly half those managers feel they have significant say in how merchandise is displayed in their stores.

Rigid headquarters planogramming at Target probably contributed to its store managers' view that they have very limited say in merchandising decisions.

Only about two in 10 Target managers responded that they have a good deal of influence on product display, and even fewer, less than one in 10, feel they have a "great" deal of influence on that decision. Across the board, Target managers scored lower than those at Wal-Mart, K mart and Ames in their ability to influence space devoted to different brands, which brands are promoted, and other merchandising decisions.

Among all discount store managers who do have a say on merchandising decisions, most of that influence extends to hard lines categories. Food, candy and snacks received the greatest number of mentions from store managers as a category over which they have influence.

Right behind, in terms of store-level influence, was H&BA, followed, in order, by hardware, household cleaners and chemicals, sporting goods, toys, housewares, consumer electronics, and lawn, garden and patio.

Managers said they exert the least amount of influence over greeting cards, followed in order of increasing influence, personal care appliances, children's apparel, photo and camera, men's apparel, cosmetics, automotives and women's apparel.

This store manager influence report was culled from *DSN's* Top Brands Study *(see page 33)*. In addition to asking them how much influence they have on merchandising decisions, the study asked 301 store managers of both conventional and upscale discount stores their opinions on the best performing brands in their stores and why those brands are successful.

Prange Way Finances LBO With Help From Wisconsin

(Continued from page 7)
its had been trending downward in the face of rising operating profits for the previous three years until the company posted a $28 million pretax loss in 1989 and a net loss of $17 million. In 1988, net profits equaled a slim 2.5% of sales: $10.6 million on $420.5 million in revenues, Prange disclosed in its SEC filing.

Another source pegged Prange's operating earnings in 1989 at around $11 million, a decline from the $23.2 million in 1988 disclosed in the filing. That compares with $21.1 million in 1987 and $19.4 million in 1986.

With cash flow from operations having turned negative last year, Prange needs cash to finance the department store war in Wisconsin that escalated sharply last year when Target parent Dayton Hudson acquired Marshall Field, with four stores in Wisconsin.

Covering Expenses

To cover the expenses of divesting Prange Way, its parent established a $24 million reserve. But actual expenses totaled $31.7 million, including a $14.7 million write-off this year and $17 million more in accrued expenses, industry sources said.

Prange refused to discuss any financial details about its Prange Way divestiture.

Prange Way is going through a nine month to 12 month transition period during which it will continue to use Prange's distribution system, as well as office space at Prange headquarters and support services such as MIS, Sommer said in an interview.

During that transition period, Prange Way will develop its own distribution network, offices and MIS system, he added.

After Prange Way weans itself from its parent, the chain will embark on a two-store-a-year expansion program in 1992, Sommer said. Prange Way has identified 12 markets within Wisconsin as expansion candidates, he said.

Stores average about 65,000 square feet in size.

Prange Way sales grew to $186 million in 1989 from $158.1 million in 1988, mostly from the acquisition of seven former Schultz stores, Sommer said. Same store sales showed only "a slight gain," he said.

In addition to growing more rapidly as an independent, Prange Way will become a leaner, more profitable operation, Sommer predicted.

Prange Way had to absorb some overhead costs of its parent that made for a high expense ratio, he said. Prange Way is shooting to reduce its expense ratio to that of K mart, 22.5% in 1989.

In 1989, Prange's expense ratio rose more than an estimated 31% on a consolidated basis, according to an industry source. In comparison, its expense ratio was 29.7% of sales in 1988, the SEC filing shows.

The chain plans no personnel cuts, and, indeed, will be adding accounting and payroll employees to headquarters staff, Sommer said. Prange Way employs 2,500 year round, 3,500 at Christmas, he said.

Sommer declined to disclose profit margin last year as a percentage of sales.

An immediate expense reduction is a halving of the interest rate on its debt, Sommer said. Moreover, unlike many companies that underwent an LBO, Prange Way started life as an independent with a ratio of debt to sales that falls in the same league with Wal-Mart and K mart, Sommer claimed.

Wal-Mart Invades the Northeast

(Continued from page 1)
intends to open seven discount stores in Pennsylvania, including two outside the capital city of Harrisburg and 10 Sam's, including three in Philadelphia.

With the addition of Pennsylvania, Wal-Mart operates in 28 states. California, where Wal-Mart opened its first store in August, was No. 27.

The other four confirmed Wal-Mart stores in Pennsylvania will be in Gettysburg, expected to open the first of the year; Meadville, south of Erie; State College, home of Penn State University; and Bloomsburg, in the northeastern part of the state.

Through the happenstance of being converted from a JCPenney unit, the York Wal-Mart came in at 130,789 square feet, compared with the chain's largest prototype of 115,000 square feet.

But, aside from more seasonal floor area and more "action alley" tables, "it will be just another Wal-Mart," manager Terry Sartan said. "The extra space will show up here and there throughout the store."

In a release, Wal-Mart said the York store will feature the normal 36 departments, although the health & beauty aids department will be expanded.

The store will include a pharmacy but no vision center and no automotives service.

The Sam's in York will be its standard prototype of about 110,000 square feet.

In addition to the three units in Philadelphia, other Sam's are scheduled to be built in: Allentown, Harrisburg, Johnstown, Lancaster, Reading and Wilkes-Barre, Pa.

In another pairing of a discount store and wholesale club, one of the two Harrisburg Wal-Marts will be built alongside a Sam's.

Wal-Mart's initial strategy calls for avoiding the two major Pennsylvania cities, Pittsburgh, close to the Ohio border in the west, and Philadelphia, which borders New Jersey on the east.

Instead, all seven discount stores will be built in the central part of the state in small cities ranging from Gettysburg, population about 7,000, to York, 44,000, and Harrisburg, about 52,000, to State College, the largest at 70,000.

All six host communities are homes to various colleges and universities, offering an element of economic stability.

Except for State College, where half the population are Penn State students, the towns also are county seats, offering still more stability. In addition, state government is the largest employer in the Harrisburg area, pumping about 20,000 paychecks into the local economy.

Sears Cuts Staff, Plans New Promotions

(Continued from page 5)
and ceo Edward A. Brennan said, "We are eliminating a layer of management and consolidating certain corporate and merchandise group staff areas as part of an ongoing companywide effort to reduce expenses."

Brennan has been under growing pressure to reduce Sears' costs and boost profits. In August, he took over day-to-day control of the lackluster merchandising group, removing Michael Bozic, then chairman and ceo of that operation (see *DSN*, Aug. 20).

Brennan's action was the latest step in a series of moves to revive the merchandising group. Last year it carried out a reorganization of the merchandising group, but to little avail, as sales continued to be weak and profits dropped.

In the reorganization, the heads of six merchandising areas—home appliances and entertainment; home fashion's; men's and children's apparel; women's apparel; home improvement, and automotives products—now report to Laurence E. Cudmore, president of retail. Previously, the hard lines executives reported to Matthew A. Howard and soft lines to Eric D. Saunders, both senior executive vps.

Howard was named sr.vp of marketing, succeeding Thomas E. Morris, vp of marketing, while Saunders became vp, home fashions group, succeeding Jerry A. Hand. Morris and Hand have resigned.

Four corporate and merchandising group departments have been combined:

- Planning, headed by vp Jane J. Thompson. Robert E. Wallace, vp, planning and research for the merchandise group will work on a special project reviewing all phases of inventory management.
- Human resources, headed by vp Warren F. Cooper. Con S. Massey, senior vp, human resources and administration is retiring.
- Law, headed by senior vp David Shute. Vincent Jones, vp and general counsel for the merchandising group is deputy general counsel.
- Public affairs, headed by vp Charles J. Ruder.

Moody's downgraded the Sears debts because "improvements within the intensely competitive merchandising sector hasn't been nor will be achieved as quickly as [Sears] originally anticipated."

Gitano Intros Men's Concept Shop

(Continued from page 5)
tive from the 77 general merchandise stores it operates at manufacturer outlet malls in that it is in a more upscale atmosphere and neighborhood.

The 9,000-square-foot flagship store carries merchandise from its men's, women's, children's and accessories divisions.

Bob Negron, president of Gitano Retail, said the store would be used as a laboratory.

"It is situated close to our showrooms in New York so it provides a means for us to show our clients the merchandising possibilities of our lines," he said.

The store is located in one of New York's busiest shopping districts, Herald Square, near Macy's and A&S Plaza. Negron said the store traffic would help the manufacturer "gauge the market and see what works and what the customer is buying."

Negron said there were no plans to open other Gitano & Co. stores.

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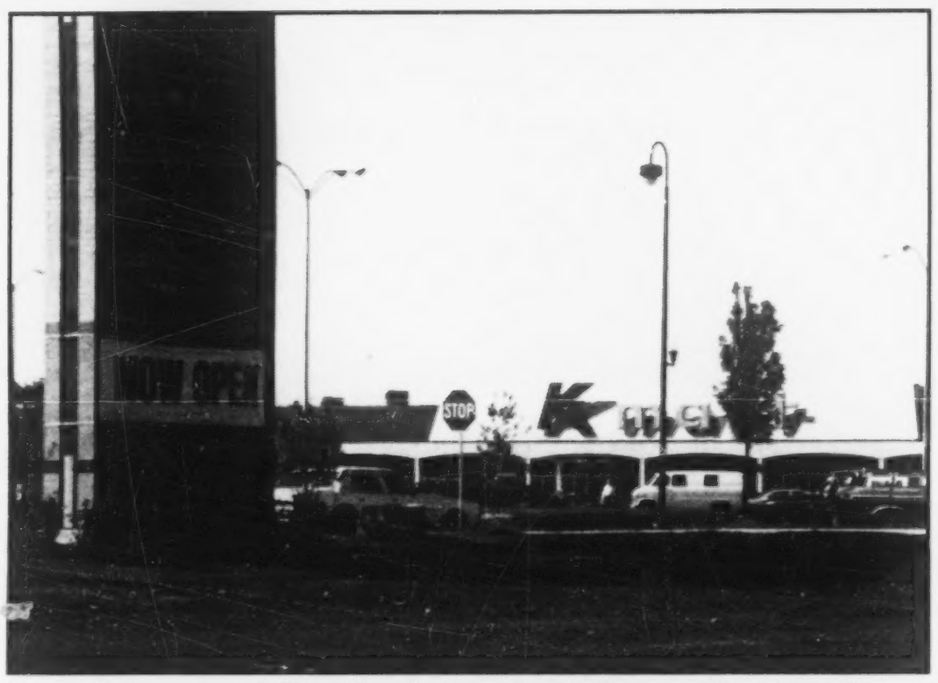
Target: $15B, 630 Units by '95

Greatland: Extra Space, Deeper Merchandise Mix

APPLE VALLEY, Minn. — At a time when retailers across the country are opening their own versions of the store of the '90s, Target last month unveiled its Greatland superstore concept.

"Target Greatland is the result of 25 years of retail experience and customer feedback," said Robert Ulrich, chairman and chief executive officer of the Minneapolis-based discounter. "It is the ultimate discount store for the more sophisticated, time-conscious '90s consumer."

At 169,000 square feet, Greatland is more than 50% larger than a typical 100,000-square-foot Target store. The extra space has enabled the chain to utilize wide 10-foot to 12-foot aisles (from 12 inches to 16 inches wider than similarly located aisles in the regular Target prototype), create special "shop" areas that combine products from several merchandise categories under a similar theme, and devote additional space to numerous customer service enhancements, like six highly visible mini-information centers containing a telephone and a bar code scanner so that shoppers can scan merchandise that doesn't have price tags.



Target's inaugural Greatland store, *located across the street from a K mart, is spacious enough to accommodate special 'shop' areas for cross-merchandising products with similar themes.* (DSN photo)

The extra space also allows Target to increase the depth of merchandise in most every product category and expand the selection in several killer departments, such as toys, basic housewares and health and beauty aids.

(Continued on page 16)

All-Out Growth Drive Features Tailoring Stores to Market Size

By Don Longo

MINNEAPOLIS — "Sometimes You Just Need a Bigger Target," was the tagline used in a series of teaser advertisements and outdoor billboards for the Sept. 30 grand opening of Target's new Greatland superstore format in Apple Valley, Minn.

That slogan could also apply to the expansion plans of this $7.5 billion upscale discount store chain as it opens an average of one new store a week between now and 1995. This expansion, through a variety of store formats, will result in a bigger Target with annual chainwide sales of over $17 billion by 1995, said Jack Fontaine, senior vice president for property development.

At a meeting here attended by hundreds of its vendors last month, Target revealed details of its growth strategy, explained the unique features of its new 169,000-square-foot Greatland store, and announced plans for another new store format designed for smaller markets.

The Target team, under the leadership of chairman and chief executive officer Robert Ulrich, also talked about their merchandising philosophy, reviewed strides made in forming closer partnerships with the chain's vendors, and previewed upcoming marketing programs designed to drive sales through the key selling seasons of Halloween, Thanksgiving, Christmas and beyond.

The real bombshell of the meeting was dropped by Fontaine, who reported that Target will unveil its new SM (Small Market) format stores in four county seats in Minnesota next year: Morehead (on the North Dakota border), Brainerd (in central Minnesota), Wilmar (about 100 miles west of Minneapolis) and Bimidji (North Central Minnesota).

(Continued on page 16)

Zellers, Woolworth Face Off for Control of Towers

By Mary Ellen Kelly

MISSISSAUGA, Ontario — Towers Department Stores, the 51-unit discounter based here, is caught in a t tween two of Canada's largest discount s lers and Woolworth.

as the potential to upset the balance of handful of dominant retailers in Canada.

nart Canada reported it has signed a letter s 154-unit Bargain Harold's chain to an un- individuals who have a retail background. , The Hudson's Bay Co. and Towers' par-

(Continued on page 62)

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Grandpa Pidgeon's Hangs Tough

Shuns 'Me-Too' Approach in Overstored St. Louis

ST. LOUIS — Full-line regional discounter Grandpa Pidgeon's opened its eleventh store here last month, maintaining its store-count dominance in this market. Another store is slated to open in the North County area of St. Louis next year, according to company president Tom Holley.

Looking into the future, another three or four stores could be worked into the St. Louis market before the chain would need to move to a second market, added Tom Riess, vice president, merchandising.

Tom Holley, president, *and Tom Riess, vp, merchandising, stand inside the 11th Grandpa Pidgeon's store to open in the St. Louis market.* (DSN photo)

Grandpa's will need to batten down the retail hatches this year as the already heavily stored market is being showered with new discount specialty store openings. Circuit City is said to be coming to St. Louis with six stores; Phar-Mor will be boosting its current two stores to seven or eight.

Builders Square, already a formidable competitor, is steadily increasing its presence, competing with Grandpa's extensive hardware and automotives departments. Full-line discounters such as Venture, K mart, Wal-Mart and Target are omnipresent, as are off-price apparel chains like Marshalls.

Riess said that "during the past 10 years, retail square footage per capita in St. Louis has doubled," and the numbers continue to climb. "The pie is cut into more pieces," he noted, "yet Grandpa's still does well . . . People really are convinced we have the right price."

The newest Grandpa's opened in St. Louis borrows strategies found at some of the larger chains such as higher cube displays, while sticking to its unique approach to discounting that sets it apart from the rest.

The higher cube displays paid off particularly well in the wall decor category. Sales are already twice what they were this time last year despite an actual reduction in the category's

(Continued on page 61)

Grocery items are being used as traffic builders and as convenience items to meet the needs of a broad base of consumers.

Third Annual

Consumer Grocery Purchase Survey

As retailers recognize, the distinctions between mass food and non-food drug and general merchandise stores are rapidly disappearing.

Food stores sell pharmaceuticals, health and beauty aids, and cosmetics as well as various additional types of general merchandise products, while non-food stores like K mart and Walgreens sell a large assortment of foods, cleaners, and other "traditional" grocery items.

For the past three years, *FM* has been tracking consumer purchases of traditional grocery product categories like candy and gum, snacks, packaged dry groceries, soft drinks, household cleaners, and pet foods through drug and discount store outlets.

This year, *FM* has discovered that the number of people who buy groceries in either drug or discount stores is up significantly over last year.

According to *FM*'s latest consumer survey, which was conducted last May by Nebraska-based Fairfield Research, 78 percent of all consumers do buy at least some grocery household products in discount stores, and 58 percent sometimes buy such items in drug stores.

In 1987, when *FM* conducted its first consumer survey, only 44 percent of all consumers ever bought grocery items in discount stores and just 31 percent reported doing the same in drug stores.

More shoppers are buying food in drug and discount stores, and net grocery purchases are increasing in almost all categories.

Fairfield Research used a national probability sample for this survey working from a base of 200 telephone interviews with males and females who were responsible for the food and grocery shopping in their households.

Since 1987, of course, grocery products have also become much more visible in both drug and discount stores. Most non-food chains aggressively advertise groceries as traffic builders, and many also have ev-

Grocery purchases in non-food stores

Store type	% of all consumers purchasing some groceries		
	1990	1989	1987
Discount stores	78%	44%	44%
Drug stores	58	19	31

Source: Fairfield Research

Where consumers shop most often for household products

Store type	% of consumers who shop here	Mean number of shopping trips per month
Grocery store	98%	6.94
Discount store	81	3.33
Drug store	70	2.94
Convenience store	37	5.97
Warehouse club	26	2.46

Source: Fairfield Research

Changes in incidences of food/grocery purchases in non-food stores

Category	Net change in food/grocery purchases 1990 vs. 1989+	
	Discount stores	Drug stores
Laundry/cleaning supplies	22	53
Dry packaged groceries	21	33
Non-alcoholic beverages	19	36
Garbage bags/food wraps	15	7
Candy/gum	14	4
Household paper goods	14	16
Pet foods and accessories	13	50
Beer, wine, alcohol	9	(2)
Soft drinks	6	0
Chips/snacks	3	5

+ — Net change is the difference between the percent of respondents who increased food and grocery purchases over last year versus those who decreased purchases.

Source: Fairfield Research

eryday departments for high consumption categories like candy, snacks, soft drinks, paper products, household cleaners and pet foods as well as some convenience food sets for dry packaged or canned groceries.

For most of the categories *FM* tracked, this year non-food chains are getting a broader base of consumers to make specific grocery purchases in their stores at least some of the time. In a few categories, however, there were declines.

Discount store findings:

In the nine categories with comparative data, the base of shoppers making grocery purchases in discount stores was up in three specific segments: candy and gum, laundry and cleaning supplies, and household paper goods.

It was down slightly in two categories: chips and snacks and soft drinks, and down sharply in dry packaged groceries and non-alcoholic beverages. There was no change in the number of consumers buying beer, wine and other alcoholic beverages or pet foods in discount stores.

Drug store findings:

In drug stores in the same nine categories, the base of shoppers making grocery purchases was up in six specific segments: candy and gum; laundry and cleaning supplies; soft drinks; other non-alcoholic beverages like juices; beer, wine and alcohol; and household paper goods.

The base of shoppers was down slightly in chips and snacks, and down more sharply in dry packaged groceries and pet foods.

Clearly, the overall base of people shopping for groceries in non-food stores is growing, and the equally good news is that as this base grows, the number of purchases of groceries is also going up in all categories tracked.

The largest net gains in grocery purchases are coming from people who buy packaged groceries and laundry supplies in discount stores, and from people who buy these two categories plus pet food and pet supplies in drug stores.

Let's first look at the number of consumers who say they do sometimes buy groceries in discount stores.

In 1989, just 33 percent of all consumers reported they sometimes bought candy and gum in the

Grocery Items That Discount Store Shoppers Buy

Among the 78 percent of all consumers who do buy some groceries in discount stores:

- 63 percent buy some kind of household paper product like facial tissues or toilet paper;
- 60 percent buy candy and gum;
- 52 percent buy garbage bags;
- 49 percent buy laundry detergent;
- 33 percent buy a snack;
- 30 percent buy a soft drink;
- 24 percent buy either pet foods or a pet accessory item;
- 19 percent a juice, bottled water, or other non-alcoholic beverage;
- 17 percent buy a packaged grocery; and
- 7 percent buy some beer or wine.

Grocery Items That Drug Store Shoppers Buy

Among the 58 percent of all consumers who do buy some groceries in drug stores:

- 64 percent buy candy and gum;
- 38 percent buy some kind of household paper product like facial tissues or toilet paper;
- 23 percent buy a soft drink;
- 19 percent buy a snack;
- 16 percent buy laundry detergent;
- 14 percent buy some beer or wine;
- 13 percent buy garbage bags;
- 9 percent buy a juice, bottled water or other non-alcoholic beverage;
- 3 percent purchase a packaged grocery; and
- 2 percent buy either pet foods or a pet accessory item.

How effective discount stores are in persuading consumers to buy groceries in their stores

Category	% of consumers who ever buy groceries in discount stores	
	1990	1988
Household paper goods	51%	38%
Candy/gum	49	33
Garbage bags/food wraps	43	na
Laundry/cleaning supplies	40	38
Chips/snacks	27	30
Soft drinks	24	28
Pet foods and accessories	20	20
Non-alcoholic beverages	16	24
Dry packaged groceries	14	25
Beer, wine, alcohol	6	6

Source: Fairfield Research

How effective drug stores are in getting consumers to buy groceries in their stores

Category	% of consumers who ever buy groceries in drug stores	
	1990	1988
Candy/gum	38%	14%
Household paper goods	22	11
Soft drinks	13	10
Chips/snacks	11	13
Laundry/cleaning supplies	10	9
Garbage bags/food wraps	8	na
Beer, wine, alcohol	8	4
Non-alcoholic beverages	6	5
Dry packaged groceries	2	6
Pet foods and accessories	1	4

na — Not available
Source: Fairfield Research

discount stores they shopped; this year, an estimated 49 percent said they did so.

Last year, just 38 percent of all respondents said they sometimes bought household paper products in discount stores; this year, 51 percent did so.

Discount stores, however, lost ground with consumers making dry or packaged grocery purchases. Last year 25 percent of the respondents said they sometimes bought dry or packaged groceries such as soups, pickles and olives in discount stores; this year, just 14 percent did so.

Last year, 24 percent reported they were making some purchases of non-alcoholic beverages like juices and bottled waters in discount stores; this year the figure was 16 percent.

The drug store industry had a similar pattern of sales trends.

In 1989, just 14 percent of all respondents reported buying candy or gum sometimes in drug stores; this year the figure was up to 38 percent.

Also, last year 11 percent said that they sometimes bought household paper products in drug stores. This year that figure has increased to 22 percent who regularly do so.

Drug store snack sales

But drug stores lost some customers in the mood to purchase chips and snacks. A total of 13 percent bought these types of snacks at drug stores last year, and only 11 percent reported that they are doing so this year.

The figures for packaged groceries were 6 percent last year and 2 percent this year.

Where Most People Shop For Supplies

If you ever wondered what kind of store gets the most traffic and the highest frequency of store visits, it's a food store.

FM's latest consumer survey showed that 99 percent of all consumers buy household products in food stores.

Consumers visit food stores a mean 6.94 times a month.

Discount stores also attract a large number of customers; 81 percent of the respondents in the survey reported they do make household purchases in discount stores. Those who shop these stores visit them 3.33 times a month.

Drug stores do not have as large a consumer base, even though they are often more conveniently located. A total of 70 percent of respondents said they buy some household necessities in drug stores.

Everyday items paramount

Like food stores and discount stores, drug stores generally stock many items people use everyday: groceries, toiletries, and household cleaning products.

Unlike food and discount stores, which attract a much broader base of shoppers, shoppers visit drug stores 2.94 times a month.

In comparison, a convenience store attracts 37 percent of consumers, but they visit them 5.97 times a month.

The *FM* survey suggests that drug stores need to develop stronger merchandising programs. Drug stores aren't getting as many grocery purchases per visit as discounters enjoy, even in such high-consumption categories as candy, chips, and soft drinks.

In terms of total base of shoppers, warehouse clubs also have a small universe of shoppers, but these shoppers are big spenders who travel hefty distances to stock up on items they then turn around and resell.

Their visits may be less frequent than visits to conventional retail stores, but their average checks total hundreds of dollars.

Grocery Sales in Non-Food Stores Continue to Increase Steadily

For seven of the 10 categories tracked, the net gains in discount store grocery purchases exceeded 10 percent. (The net increase is the difference between the percent of respondents who reported increased purchases minus the percent who reported decreased purchases.)

In drug stores, the net increases in grocery purchases exceeded 10 percent in five of the 10 categories tracked.

Drug stores also did better this year than in 1989, when they registered net decreases in five out of nine categories tracked. This year, the only net decrease was in the beer, wine and alcohol category, which was down 2 percent.

For drug stores, the strongest growth was in the following product categories:

- laundry and cleaning supplies, 53 percent net gain;
- pet foods and supplies, 50 percent net increase;
- garbage bags, 15 percent;
- candy/gum, 14 percent;
- household paper supplies, 14 percent; and
- laundry and cleaning supplies, 13 percent.

The number of grocery purchases in drug and discount stores increased over last year for every category tracked in FM's third annual consumer buying survey.

Discount stores' strongest increases were in these categories:

- laundry and cleaning supplies, 22 percent;
- packaged groceries, 21 percent;
- non-alcoholic beverages, 36 percent;
- packaged groceries, 33 percent; and
- household paper supplies, 16 percent.

It's Getting Closer, But Shopping for Food At Non-Food Stores Hasn't Hit Weekly Rate

Although consumers who buy groceries in non-food stores buy more often than ever before, they still aren't up to a weekly basis.

In discount stores, just 15 percent of shoppers who buy candy do so once a week or more; at more convenient drug stores, 14 percent.

More than a third, 36 percent, buy candy at discount stores two or three times a month; another 28 percent make this type of purchase at discount stores at least once a month.

By comparison, 14 percent buy candy at a drug store two or three times a month, and another 32 percent once a month.

Chips and snacks do sell faster in drug stores than they do in discount stores. A total of 18 percent of respondents buy these items weekly and 59 percent monthly at drug stores, compared with 12 percent and 50 percent at discount stores.

But discount stores can get soft drink shoppers to buy soda in their stores more often than drug stores can. Fifteen percent of all people who buy soft drinks in discount stores said they do so at least once a week; 40 percent said two or three times a month; and 27 percent once a month.

Just 12 percent of drug store shoppers who buy soft drinks report making purchases once a week or more; 23 percent do it two or three times a month, and 15 percent once a month.

Key differences

Juices, bottled waters, beer, wine and other alcoholic beverages have relatively low frequencies of purchase in discount stores, but are purchased much more often in drug stores.

For example, 45 percent of all drug store shoppers who purchase juice or bottled waters make a purchase at least once a week or more compared to only 3 percent of the shoppers who buy these items in discount stores.

Frequency rates differ

But discount stores generate higher-frequency sales of packaged groceries, cleaning products, and pet foods than drug stores are able to produce.

Fourteen percent of all shoppers who buy packaged groceries in discount stores, for example, buy something there once a week or more; 43 percent buy there two or three times a month.

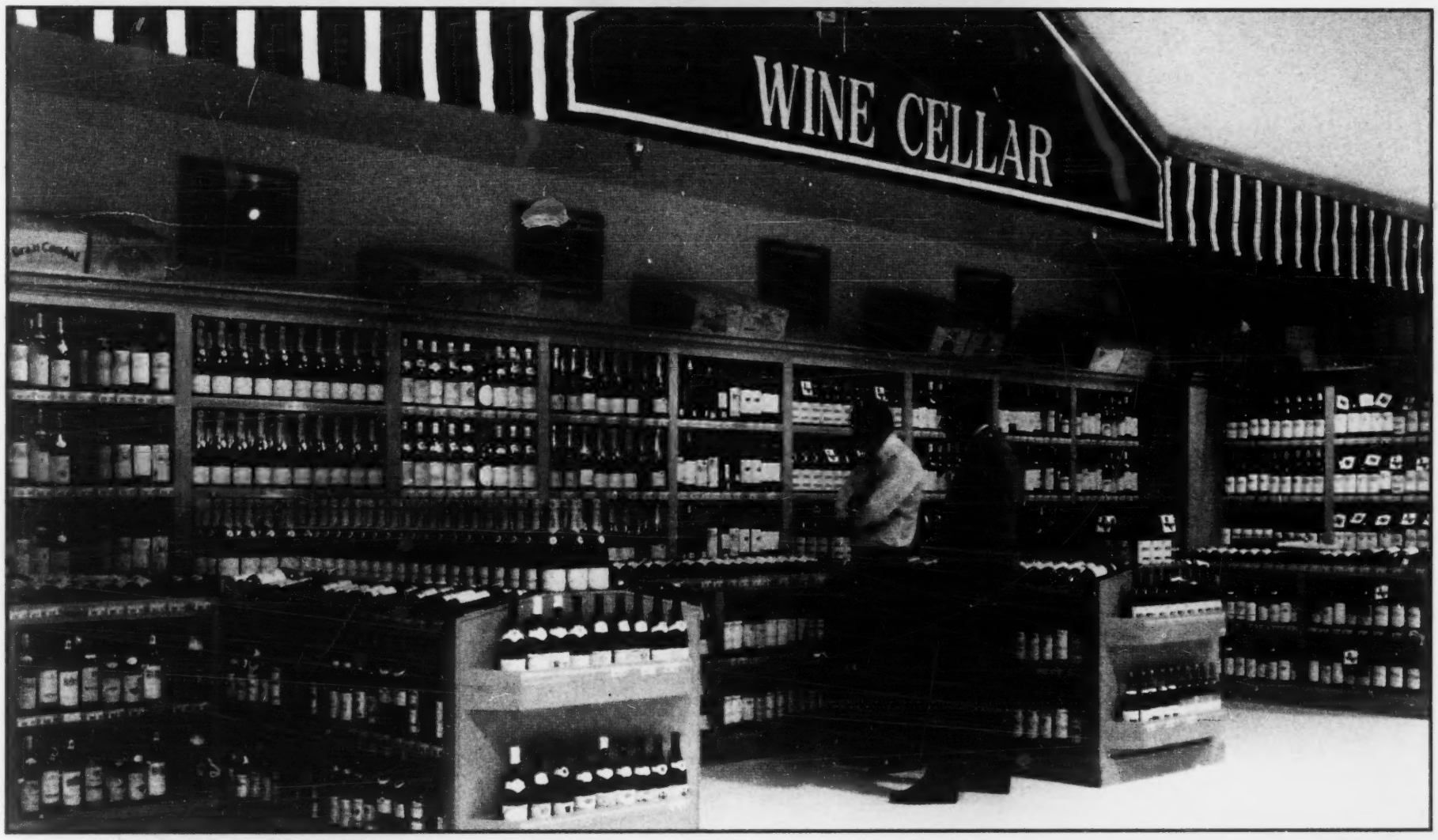
In drug stores, no one makes a dry grocery purchase that often. Only 3 percent will buy a dry grocery item there once a month, and 3 percent will do so once every two or three months.

This, of course, reflects the fact that more discount stores than drug stores tend to stock dry groceries everyday. Most drug stores only carry dry groceries on an in-and-out basis as they get a good deal. Only selected stores stock convenience groceries everyday, and that makes drug groceries less accessible to the total universe of shoppers.

How much consumers spend for groceries in non-food stores

Type of grocery	Median amount spent	
	Discount store	Drug store
Edible dry grocery	$35	$ 5
Non-edible	$25	$15

Source: Fairfield Research



To capitalize on the current interest in premium wines, beers, and spirits, many chains boutique their liquor departments.

Alcohol Sales Flatten, But Premium Brands Are Up

Buyers say sales of expensive vodkas, California varietal wines, and ultra-premium and imported beers are up this year.

The alcohol category had its bright and dim spots at drug and discount chains this past year. Overall, sales in the major segments were flat, as consumers tried to moderate their alcohol intake. However, there are also positive trends in the category.

Buyers reported that while people may be drinking less, they are drinking "better," meaning that while unit sales are off, sales of premium or higher-ticket alcoholic beverages like the more expensive vodkas, California varietal wines, or ultra premium and imported beers are all up.

Most buyers are reconfiguring planograms to give more space to hot categories and brands. Also, many chains are organizing their planograms by price point. For example, they're opening the beer aisle with ultra premiums, imports, and non-alcoholic beers.

In wine, there is less space for French, German and Italian wines this year and more for the California varietals.

In spirits, the trend is towards fewer bourbon and American-blended whiskies on the shelf and much more vodka, tequila, and rum. There is even a new category emerging, rum-based coolers, that may do for certain segments of distilled

The top 10 beer brands

Rank	Brand	Segment	Market share 1988	Market share 1989	Percent change
1.	Budweiser	Premium	26.3%	25.9%	(1.2%)
2.	Miller Lite	Light	10.3	10.5	3.1
3.	Bud Light	Light	5.1	5.7	12.6
4.	Coors Light	Light	4.9	5.6	15.4
5.	Busch	Popular	4.6	4.8	5.8
Total for top five			51.1	52.6	3.2
6.	Miller High Life	Premium	4.4	3.8	(12.2)
7.	Old Milwaukee	Popular	3.7	3.6	(2.9)
8.	Milwaukee's Best	Popular	3.2	3.6	13.3
9.	Coors	Premium	3.4	2.7	(20.3)
10.	Miller Genuine Draft	Premium	3.2	3.3	4.3
Total for top 10†			67.8	68.8	1.8

†Excluding Classic, Dry and Dark *Source: Impact Databank*

spirits what wine coolers did, for a while, for wine sales.

Spirits are definitely down, but there is growth in premium brands like Absolut vodka and Glen Fiddich scotch.

"People are willing to spend more money on a single package," said Dan Hale, who buys alcoholic beverages for Pontiac, Mich.-based Perry Drug. "Instead of a half gallon of Smirnoff, they're now buying a fifth of Absolut."

Most buyers said they don't see many more doors out there selling alcohol. It's the same-sized pie, it's just that moderation has reduced the frequency of consumption. This has also made many chains very sensitive to what they stock.

One store manager for K mart disclosed that his chain watches footage closely for this category and looks to merchandise by niche or area of opportunity. "We want to sell what's selling," he said, referring to being in stock on the hot vodkas or premium beers.

This year, most buyers said their strongest segment in spirits is vodka. Absolut is still very strong as are two relatively new items: Tanqueray's Sterling Vodka and Elduras from Icelander.

Tequila as a category is also doing very well, particularly Jose Cuervo Gold, and the recently introduced Cuervo 1800.

Schnapps is also still strong. Two brands doing well are Maui Tropical Schnapps and Blue Hawaii Schnapps. One buyer pointed out that these two brands weren't even in major distribution about a year ago, and now they're in the top 75 in some states.

Growth brands in beer

Brand	% change (millions of barrels '89 vs. '88)	1989 market share	Point change in market share ('89 vs. '88)
Miller Genuine Draft	24.3%	2.4%	0.4
Coors Light	15.4	5.6	0.7
Milwaukee's Best	13.3	3.6	0.4
Bud Light	12.6	5.6	0.7
Natural Light	11.1	1.1	0.1
Hamm's	10.0	0.6	0.1
Busch	5.8	4.8	0.2
Old Milwaukee Light	5.0	1.1	0

Source: Impact Databank

Most drug chain buyers are taking about a 15 percent to 17 percent margin on spirits and turning it an average five to eight times a year. Discount store buyers are taking a 12 percent to 15 percent margin, on average, and turning it closer to 15 to 18 times a year.

Many drug chain buyers average 22 percent to 28 percent margins on wines and turn the category seven to nine times a year. Discounters take about the same margins, but turn twice as high because they have more traffic and sharper prices.

The growth areas are in the better wines, the chardonnays and cabernets, where margins can be as high as 30 percent.

This year blush wines are hot, as are value-priced whites like Glen Ellen, Fetzer, and Napa Ridge.

When chains advertise wine, they usually pick what seems hot, and right now that's still the white zins and the chardonnays.

This year more buyers report seeing growth in what some call "beverage wines."

Perry's Hale says a beverage wine is a "transitional wine" for people who are moving up from sweeter beverages or wine coolers and looking for some intermediate drink before they plunge into traditional white wines.

Riunite is rebounding, with sales of its sweet Lambrusco and Bianca particularly hot.

The wine cooler category, once the only real hot growth segment in wines, has definitely cooled. Now there are just two really major brands left: Bartle's and Seagram's. However, coming on strong is a new cooler idea: a rum-based cooler from Bicardi called Bicardi's Breezers, at a higher ticket than wine coolers. Many chains are retailing it at $5.99 per four-pack compared with $2.99 to $3.49 for wine coolers.

In moderate-priced wines, Kendall Jackson and Beringer are both doing well, particularly with their chardonnays and cabernets.

Robert Mondavi's cabernets also sell well and Sutter Home has one of the best price value zins, buyers said. In blush wines, Gallo's White Grenach is very popular as is Sebastini's white zin and Beringer's white zin.

Sangria back on track

Sangria is also showing a resurgence, thanks probably to the trend towards beverage wines as well as Gallo's advertising.

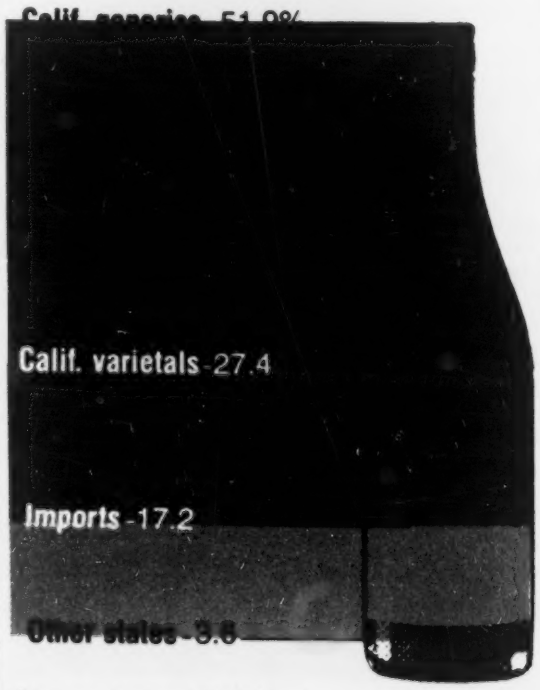
Boxed wines are also becoming more common; they are more economical than jug wines, and are portable with strong packaging. Franzia, out of California, seems to be the leader in this segment with its price value assortment of five-liter generic wines.

Since last year when two new non-alcoholic beers hit the market, this segment of the beer category has soared. Some chains reporting 25 percent to 40 percent growth. Both Sharp's and O'Doul's are selling well.

Sales of imported beers are still strong, led by Molson, Heineken and Lowenbrau, buyers said. In the Midwest, Labatt's and Molson's, both Canadian beers, are exceptionally popular.

In premium beers, Miller Genuine Draft is doing very well. Sales of Bud Light are very good, and the new Bud Dry is also selling well, according to buyers.

1989 share of U.S. table wine market



Source: Impact Databank

TOP BRANDS

Part II: Consumer Survey

Discounters' Offerings Satisfy Consumers

By Laura Liebeck

When consumers head for their local discount store they have fewer specific name brands in mind, apparently because their needs can be satisfied within a typical discounter's broader assortments.

That is just one of several important observations gleaned from the 1990 Consumer Brands Survey, conducted in August for *Discount Store News* by Leo J. Shapiro & Associates, a Chicago-based market research firm.

The major trends affecting brand preference unearthed by the study include:

- Fewer consumers than last year are shopping with a specific brand preference;
- Consumers are increasingly more confident of finding the brands they want;
- Consumers are still slightly more likely to switch brands than skip a purchase;
- Consumer preference for private label merchandise is fairly low but above last year.

A chasm has grown between consumers and store managers concerning brand preference.

The two groups agree on fewer Top 10 brands this year than in 1989. Just 98 brands in 18 product categories are considered Top 10 performers by discount store managers and as preferred brands by discount store shoppers looking to make a purchase in those categories. A year ago, the two groups agreed on 110 Top 10 brands in 17 categories, up from 106 brands in 1988.

In addition, in six product categories, store managers and consumers agreed on fewer than five of the Top 10 brands. In 1989, the two groups agreed on at least five brands in each category.

Moreover, consumers and store managers agree on just seven No. 1 brands—Black & Decker, Kodak, Pennzoil, Conair, Cannon, Crest and Tide—compared with 10 last year. And in only four categories, toys, cosmetics, hardware and automotives, do the two groups agree on the top two brands, although in reverse order.

Despite all of that, consumers are increasingly more confident they will find what they are looking for at the local discounter, a result that translates directly into sales.

Obviously, the huge number of available brand name products satisfies more consumer needs than ever before while reducing their perceived need to stick to only a specific brand.

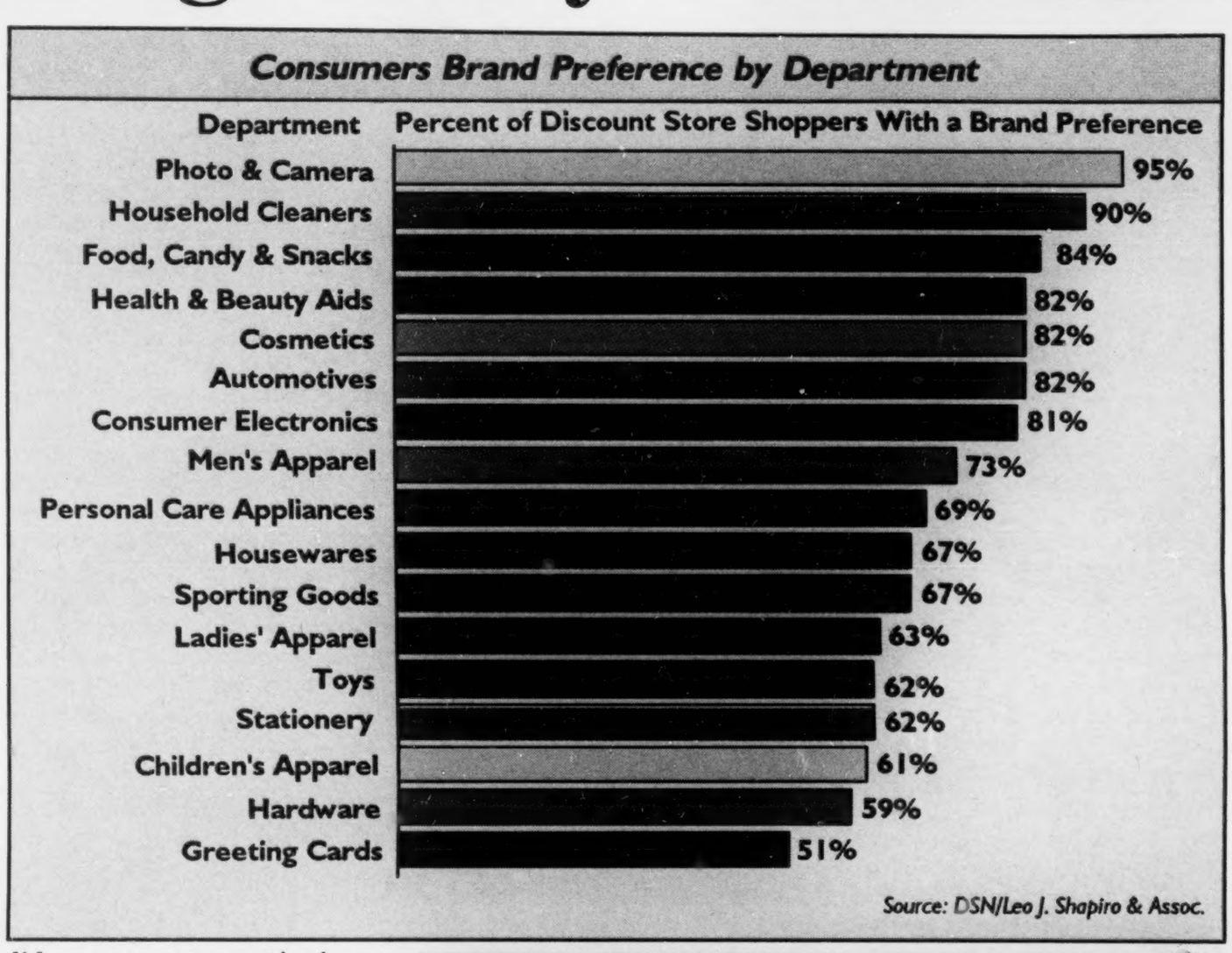
The Consumer Brands Survey is Part Two of *DSN*'s annual brands report. The first part of the survey, published in *DSN*'s Oct. 1 issue, reported store managers' assessment of their top performing brands in 18 merchandise categories. Their responses were based on various factors including product movement and profits.

The Consumer Brands Survey identifies the top brands in the same product categories as the managers' report but is based on the brands consumers said they look for most when shopping in a discount department store.

Because discount store shoppers also shop at other types of retail outlets, sometimes the brands they say they prefer are not mass market labels but brands found in department or specialty stores, or even factory outlets, proving that brand marketing crosses many lines.

According to the study, consumers are paying more attention to brands than they did a year ago, continuing a three-year trend. They report that they are more inclined to buy private label merchandise than they were last year, 43% vs. 38% in 1989.

(Continued on page 23)



Agreement of Trade and Consumers
Top Ten Brands: 1990

Department	Number of Brands Store Managers and Consumers Agree On*
Automotives	8
Cosmetics	8
Ladies' Apparel	7
Toys	7
Consumer Electronics	7
Personal Care Appliances	7
Food, Candy & Snacks	6
Hardware	6
Household Cleaners	6
Photo & Camera	6
Housewares	5
Men's Apparel	5
Sporting Goods	4
Stationery	4
Health & Beauty Aids	4
Greeting Cards	3
Children's Apparel	2

**Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing name brands in [department]?' and discount store consumers' response to the question: 'If you were shopping for [product] in a discount department store, which brand of that product would you want?'*

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Consumer Brands

Automotives ***41***
Pennzoil
Quaker State
Castrol/Castroil

Children's Apparel ***27***
Fruit of the Loom
Levi's
OshKosh

Consumer Electronics ***35***
Sony
General Electric
Nintendo

Cosmetics ***28***
Maybelline
Cover Girl
Revlon

Food, Candy, Snacks ***46***
Hershey's
M&M/Mars
Snickers

Greeting Cards ***45***
Hallmark
American Greetings
Ambassador

Hardware ***42***
Black & Decker
Stanley
General Electric

Health & Beauty Aids ***46***
Crest
Suave
Charmin

Household Chemicals ***35***
Tide
Clorox
Ajax

Housewares ***36***
Cannon
Black & Decker
Corning

Ladies' Apparel ***27***
Hanes
Levi's
Gitano

Men's Apparel ***28***
Levi's
Hanes
Fruit of the Loom

Personal Care ***36***
Conair
General Electric
Clairol

Photo, Camera ***38***
Kodak
Fuji
Polaroid

Sporting Goods ***41***
Wilson
Spalding
Rawlings

Stationery ***44***
Hallmark
Mead
BIC

Toys ***42***
Mattel
Fisher-Price
Tonka

Discount store shoppers nationwide named their preferred brands in 17 merchandise categories, in a poll conducted for Discount Store News *by Leo J. Shapiro & Associates.*

TOP BRANDS PART II

Survey Shows Consumer Confidence Rises

By Laura Liebeck

Consumers are more certain than ever before that they will find exactly what they are looking for at their local discount store.

A very strong 51% of shoppers polled in *DSN*'s Consumer Brands Survey said they are absolutely certain they will find what they are looking for, up from 44% last year and in 1988.

Discounters are also gaining more ground with their private label brands, continuing last year's trend. Consumers of half the surveyed categories reported being more interested in private label goods compared to 1989, permitting discounters to save a sale in absence of a nationally recognized brand.

Shoppers appear most interested in private label merchandise in the three apparel categories where many discounters have concentrated much effort, plus stationery and hardware.

A growing preference for private label goods was recorded in health & beauty aids, housewares and sporting goods, each of which received at least double the response level they got in 1988.

Consumers still resist private label brands in consumer electronics, food, candy and snacks, cosmetics, household cleaners, photo and camera, and toys, intensely brand-oriented categories.

In CE, for example, preference for private label products decreased by more than half compared with 1989.

Despite discount store shoppers' increased certainty of finding exactly what they seek and their continued acceptance of private labels in numerous categories, shoppers also say that in absence of finding their preferred brand they would sooner skip a purchase than switch to another label in 11 of the 18 surveyed product categories. And when asked to rate their confidence of finding a preferred brand, shoppers gave a mean confidence rating lower than 1989's figure.

Overall, the large number of name brand products in all 18 merchandise categories gives consumers confidence that they will find the brand they seek.

On a scale of 1 to 9, with 1 meaning no confidence and 9 meaning total confidence, shopper responses produced a mean confidence rating of 7.30 this year, down from 7.37 in 1989 and 7.42 in 1988. But strangely, the number of people expressing total confidence increased, from 44% to 51%, suggesting discounters are satisfying more shopper needs than before.

The category recording the highest mean confidence rating this year is food, candy and snacks, 7.97, up from 7.80 in 1989. These consumers were also the most certain of finding their preferred brand. Fifty-eight percent gave the category a 9 on the 1-to-9 scale, meaning over half are certain of finding exactly what they seek.

Only customers of photo and camera produced a higher confidence percentage, 59%, but the mean rating eased slightly to 7.88 from 7.89 a year ago.

Other categories where consumers said they were more confident of finding their preferred name brand product this year compared to 1989 were household cleaners, cosmetics, children's apparel, domestics, automotives and CE.

Consumers were least confident of finding their preferred brands in women's apparel. Shoppers gave this category the lowest mean confidence rating in the survey, 6.64, down from 6.94 in 1989 and 6.99 in 1988. Just 33% of women's apparel shoppers reported being certain of finding exactly the brands they seek even though seven labels on their Top 10 list matched store managers' survey of top performers.

Women's apparel wasn't the only merchandise category to score a mean confidence rating below seven. The others include, in order: hardware, men's apparel, consumer electronics and sporting goods. These shoppers also reported being the most unsure of finding what they were looking for, recording "not sure" scores in excess of 20%. Other categories where consumers are unsure of finding their preferred brands include toys, stationery and personal care appliances.

Whether due to brand loyalty or uncertainty over finding a preferred brand, consumers report they would be slightly more willing to skip a purchase than change brands if they can't find a specific label.

This year, 48.2% of surveyed shoppers said they would skip the purchase if their preferred brand was unavailable, compared with 47.9% a year ago.

Cosmetics and CE shoppers are the most least likely to switch, with 65% and 63%, respectively, saying they would rather skip the purchase than change brands. Children's apparel, greeting cards and stationery shoppers are the most willing to switch brands.

Consumer Snapshot:

The Top 5 Departments In Private Label Preference	The Bottom 5 Departments In Private Label Preference
Women's Apparel	Personal Care Appliances
Stationery	Consumer Electronics
Children's Apparel	Cosmetics
Hardware	Household Cleaners
Men's Apparel	Photo & Camera

Source: DSN/Leo J. Shapiro & Assoc.

Sampling of Households: Basis of Survey Responses

NEW YORK — *DSN*'s exclusive consumer brands survey was based on a national sample of 894 households in telephone interviews that alternated between the "man and woman of the household."

The survey consisted of 18 product categories, one more than a year ago but the same as the Top Brands Survey of store managers published in *DSN*'s Oct. 1 issue. The new category this year is greeting cards. This category was separated from stationery to better examine brand preferences in the two areas.

All of the research was conducted and compiled this summer by Leo J. Shapiro & Associates, a Chicago-based market research firm. Responses were from discount store shoppers only, people who shop discount stores at least three times a year.

Each respondent was asked if they had a brand preference in each category; what that preference was; whether they prefer private label goods; and how willing they would be to either skip a purchase or switch brands in absence of their preferred brand.

Discounters Satisfy Consumers

(Continued from page 19)

Wal-Mart shoppers claim to be the most sensitive to branded goods, with 51.3% saying they pay more attention to brands than other people they know at the same stage of life. Ames shoppers seem to be the least interested, 42%.

Shoppers most interested in private label merchandise are found in greater abundance at Target. Forty-seven percent said they are more inclined to buy private label goods than other people they know, indicating the strength of Target's private label program.

The shoppers least interested in private label goods are found at Ames. One-third of Ames shoppers said they are more inclined to purchase private label merchandise than other people they know.

Overall, consumer preference for name brand products fell in 11 of the 18 merchandise categories surveyed this year. Only two were up, children's apparel and women's apparel. Brand preference in photo and camera, automotives, hardware and domestics remained even with last year's results. No comparison could be made in greetings cards, the 18th product category, since 1990 marks its entry on the survey.

In this year's survey, 474 brands were mentioned by consumers as labels they look for when shopping in discount stores. Seven out of 10 respondents said they shop with a brand in mind, down slightly from a year ago.

Kodak, Cannon and Hallmark received runaway first place spots in their respective categories, outpacing No. 2 by no less than a 4-to-1 margin.

Other top brands led their categories, albeit by thinner margins, include Cannon in domestics, Sony in consumer electronics, Pennzoil in automotives, Wilson in sporting goods, Levi's in men's apparel and Hanes in women's apparel. All these No. 1 brands received 20% or fewer mentions.

How Consumer Preferences Affect Brand Trends in 17 Departments

Department	Mean Level Of Confidence Of Finding Brand*	Percent 'Not Sure'**	Preferred Private Label	Would Skip Purchase if Preferred Brand Was Unavailable
Food, Candy & Snacks	7.97	8.7%	8.1%	39.0%
Photo & Camera	7.88	11.7	7.0	50.6
Household Cleaners	7.88	10.6	5.7	52.7
Automotives	7.67	12.7	16.7	50.9
Health & Beauty Aids	7.64	16.6	16.6	45.0
Cosmetics	7.42	17.8	5.7	65.3
Children's Apparel	7.33	18.8	32.0	30.9
Greeting Cards	7.31	18.7	13.4	NA
Toys	7.27	21.2	8.7	58.3
Housewares	7.18	19.0	15.6	52.9
Stationery	7.14	19.5	34.7	33.5
Personal Care Appliances	7.02	22.4	13.3	48.3
Sporting Goods	6.96	24.2	12.8	55.2
Consumer Electronics	6.92	23.7	4.8	62.7
Men's Apparel	6.91	26.0	28.7	43.4
Hardware	6.88	22.0	31.8	53.4
Ladies' Apparel	6.64	27.3	35.0	53.2

**Consumers were asked how likely would they be able to find the brands they want in each department. Mean: Rating on scale of 1 to 9 with 9 meaning they were 'certain' of finding their preferred brand in a discount store.*
***Ratings of 1 to 5 are grouped together indicating 'Not Sure.'*
NA — not available

Source: Discount Store News/Leo J. Shapiro & Assoc.

Hanes Leads Way With Ladies' Wear Shoppers

Consumers ranked Hanes first in the Top Brands Survey in ladies' apparel, greatly at odds with the perception of store managers, who gave Gitano top honors by a wide margin.

Gitano was only third on the consumers' list, following Levi's at No. 2.

This is a very different story than presented by store managers in the earlier survey. There, Gitano seemed to be king, far outpacing any other label. Though Gitano did lead the consumer survey in 1989, it did not hold on to the lead this year.

Hanes captured first place this time, rising from 6th place last year. At the retail level, this was the first year that store managers named Hanes to their Top 10 list. At No. 4 on the managers' survey, Hanes was one of the fastest risers on the list, perhaps explaining its success with consumers.

Levi's may also surprise a few managers. It ranks No. 2 on the consumer survey, compared with No. 11 on the managers' list.

Top Ladies' Apparel: Store Managers vs. Shoppers

Managers	Consumers
Gitano	Hanes
Lee	Levi's
Chic	Gitano
Hanes	Fruit of the Loom
Jaclyn Smith	Lee
Bobbie Brooks	L'eggs
Wrangler	Calvin Klein
Fruit of the Loom	Chic
Bonjour	Jaclyn Smith
Jordache	Bobbie Brooks

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

The remaining Top 10 brands named by consumers are Fruit of the Loom, Lee, L'eggs, Calvin Klein, Chic, Jaclyn Smith and Bobbie Brooks.

Despite the differences at the top, consumers managed to name seven out of the 10 brands mentioned by store managers.

In addition to Levi's, L'eggs (7th) and Calvin Klein (8th) made the consumers' Top 10, but were ranked much lower on the store managers' list.

The survey brought to light how other brands were seen differently at the consumer level vs. retail management.

For instance, consumers ranked Fruit of the Loom fourth, but managers ranked it eighth. Interestingly enough, Fruit of the Loom ranked first by consumers most often shopping at Ames. Brand mentions by K mart, Wal-Mart and Target customers were more consistent with the overall list.

Lee was named fifth by consumers compared with second by managers. Chic was only eighth on consumers' minds, but third where managers were concerned.

Finally, two of the largest in-store brand names, Jaclyn Smith for K mart and Bobbie Brooks for Wal-Mart, rounded out the list. Managers had ranked them fifth and sixth.

Conversely, three brands that showed up in managers' Top 10 did not fare as well with consumers. These were Wrangler (11th), Jordache (13th) and Bonjour (17th). In the managers' study, these came in seventh, ninth and 10th, respectively.

Consumer Brand Preferences In Ladies' Apparel

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Hanes	13%	14%	14%	13%	10%
Levi	8	9	10	12	11
Gitano	7	7	4	0	12
Fruit of the Loom	6	7	8	4	12
Lee	6	5	5	8	3
L'eggs	5	5	6	2	2
Calvin Klein	5	4	6	3	12
Chic	4	5	5	9	3
Bobbie Brooks	4	4	3	4	8
Jaclyn Smith	4	5	4	0	6

Source: DSN/Leo J. Shapiro & Assoc.

Only 33% of the consumers queried in this year's survey said they would be likely to find their preferred brand at the discount store they shopped most often. This is down from 37% last year.

At the same time, respondents seemed flexible and said they would be willing to switch brands if their first choice was not available. Of all those asked, 47% said they would switch to another brand rather than skip the purchase.

When asked if they were sensitive to brand names, 49% of surveyed shoppers said they pay more attention to brands. This is an increase of only one percentage point from last year—surprising in light of the brand-conscious fervor being experienced by store managers and buyers.

Consumers are also seemingly more comfortable with private label lines. The number of respondents that are more inclined to choose a private label line increased a full five percentage points from those surveyed last year.

Consumers, Managers Differ On Kids' Brands

The children's apparel category showed the greatest disparity between consumers and store managers brand perception, according to *DSN*'s Top Brands Survey. Only two of the top 10 mentions by managers made the consumers' Top 10 list.

The results are not all that surprising, however. The percentage points separating the leaders in the store managers survey were so slight that any shift would have made it possible to unseat the leaders. The race in the consumers' study is just as close.

Fruit of the Loom got the top honors in the consumers' list for children's apparel, followed by Levi's, OshKosh, Carter, Hanes, Health-Tex, Reebok, Nike, Garanimals and Buster Brown. Less than one percentage point separated the top three in the group.

One interesting occurrence is that Fisher-Price, which led the managers' list, was not among the total of 25 brands mentioned by consumers. The brand was missing despite the fact that it was ranked or was at least tied for No. 1 by store managers at Wal-Mart, K mart and Target.

Only OshKosh, which was seventh in the managers' ranking, and Garanimals, which was ninth on the two lists, made the Top 10 in both surveys.

The rest of the Top 10 brands mentioned by consumers were also mentioned by managers, though they appeared lower on the managers' list.

Buster Brown showed the largest discrepancy between the two studies. It was ranked 10th by consumers, but was down at No. 23 at the store manager level.

Two of the brands mentioned for the second year in a row by consumers were not mentioned by managers at all. These were Reebok and Nike, names popular with shoppers, but not usually available by discounters.

It should be noted that though managers may not have mentioned a label because of its association as a department store brand (Nike, Reebok and Buster Brown, for instance) discount store shoppers may have access to it through their shopping at other retail outlets.

While Gitano managed to place third its first time out on the managers' list, consumers only ranked it 16th.

Of all apparel categories, more respondents said they were likely to find their preferred children's apparel brand at the discounter they shopped most often.

This may seem strange considering the differences in what managers and consumers perceive as the best-selling brands. Apparently, in this category especially, having a variety of national brands is what counts most. Sixty-nine percent said they would switch brands if their first choice was not available.

Consumer Brand Preferences In Children's Apparel

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Fruit of the Loom	10%	12%	12%	7%	18%
Levi's	9	8	7	8	6
OshKosh	9	10	8	8	13
Carter	7	7	6	7	4
Hanes	6	7	8	5	0
Health-Tex	5	6	5	4	9
Reebok	5	5	5	6	3
Nike	4	4	6	6	5
Garanimals	3	2	6	1	2
Buster Brown	3	4	5	1	5

Source: DSN/Leo J. Shapiro & Assoc.

Top Children's Apparel Brands: Store Managers vs. Shoppers

Managers	Consumers
Fisher-Price	Fruit of the Loom
Lee	Levi's
Gitano	OshKosh
Liberty	Carter
Wrangler	Hanes
Gerber	Health-Tex
OshKosh	Reebok
Curity	Nike
Garanimals	Garanimals
Spencer's	Buster Brown

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Shoppers: Men's Brands Lacking at Discounters

Men's apparel shoppers are among the least confident about finding the name brands they seek at discount stores, according to results of *DSN*'s Consumer Brands Survey.

However, they are also among the shoppers most willing to switch to an alternative brand if their first choice is unavailable.

While agreeing with store manager's that Levi's is the No. 1 men's apparel label, the two groups only matched opinions on three other top 10 brands. This result is probably closely linked with consumers' lack of confidence in finding specific brands at their local discount store.

Only 37% of the respondents said they were likely to find their preferred men's apparel brands in the discount stores they shop, the same percentage as last year.

But men's apparel shoppers appear open-minded. Fifty-seven percent of those queried said they would switch brands if their first choice was not available.

On the other hand, those surveyed were adamant that their choices be limited to national brands. Seventy-one percent of the respondents said "no" to private label men's apparel. This was the only apparel category to receive such a negative response to private label merchandise.

Top Men's Apparel Brands: Store Managers vs. Shoppers

Managers	Consumers
Fruit of the Loom	Levi's
Wrangler	Hanes
Hanes	Fruit of the Loom
Lee	Lee
Levi's	Arrow
Gitano	BVD
Brittania	Haggar
Rustler	Jockey
McGregor	Calvin Klein
Dickies	Dickies

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

For the second consecutive year, Levi's was the leading brand in men's apparel. Hanes and Fruit of the Loom were ranked Nos. 2 and 3, reversing last year's results.

The top three brands overall were reshuffled slightly at individual stores, but with the same brand deck of cards.

The only retailer to march to a slightly different drummer was Ames which ranked Fruit of the Loom first, Levi's second and Arrow third.

On the overall consumers' list, the remaining brands in the top 10 are Lee, Arrow, BVD, Hagger, Jockey, Calvin Klein and Dickies.

Only five of the brands mentioned in the earlier store managers survey made the grade with consumers, though the leaders were the same. Managers had named Fruit of the Loom first, Wrangler second and Hanes third.

Consumer Brand Preferences in Men's Apparel

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Levi's	20%	22%	12%	25%	19%
Hanes	15	18	15	21	7
Fruit of the Loom	14	13	13	7	22
Lee	6	6	5	2	5
Arrow	6	5	7	4	10
BVD	3	4	4	4	2
Haggar	3	3	4	2	5
Jockey	2	2	4	4	3
Calvin Klein	2	2	1	3	4
Dickies	2	3	2	2	0

Source: DSN/Leo J. Shapiro & Assoc.

The most noticeable absence in the consumers' list was Wrangler, which was No. 5 in 1989. Though more than four in 10 store managers mentioned it as a top performer—ranking it second—it dropped to 11th on the consumers' list. Wrangler's placement by consumers is also surprising because the brand actually ranked first among K mart managers this year.

Gitano and Brittania also made poor showings. Though Nos. 6 and 7 on the manager's list, neither was among the total of 23 brands mentioned by consumers. Interestingly enough, Brittania was mentioned as the leading men's apparel brand among Target shoppers.

By the same token, Jockey (8th) and Calvin Klein (9th) were not mentioned at all in the managers' study.

Also slipping on the consumers' list was Rustler (13th) which was 8th according to store managers. McGregor (12th) also missed the Top 10 with consumers, but was ninth among managers. McGregor placed eighth with consumers in last year's survey.

Consumers, Managers Agree on Top Cosmetics

Consumers agreed with store managers on seven out of 10 top brands in the cosmetics category, reinforcing store managers' beliefs that they are on top of the latest trends.

In the first part of *DSN*'s Top Brands Survey, managers said cosmetics was one of the areas they felt they had the most influence over.

In the consumer portion of the survey, five brands matched the ranking set by store managers, except for one change in the No. 4 position: Avon.

Cover Girl led the consumer list, with Maybelline and Revlon following. Managers had named Maybelline first, but it and Cover Girl have been flip-flopping over first place for a number of years.

The two also flip-flopped when compared at individual stores. Shoppers at K mart and Wal-Mart showed a preference for Cover Girl, while Target and Ames customers mentioned Maybelline most often.

Cover Girl and Maybelline were each mentioned by four in 10 of the consumers surveyed. Revlon was metioned by just under two in 10 consumers.

The top three were definitive winners garnering the largest share of mentions. The remainder of the brands in the Top 10 fell way short of unseating the top three. They were also very close in terms of percentage points.

Rounding out the Top 10 cosmetics brands on the consumers list were Avon, Max Factor, L'Oreal, Clarion, Aziza, Sally Hansen and Noxell.

Avon had a high recognition factor among consumers and was mentioned often enough to rank 4th on the list. This is despite the fact that the brand is only available through door-to-door catalog sales.

Consumers did manage to pull some other surprises. Clairol showed the biggest decline as far as consumers were concerned. Though it made 6th place in the managers survey, the brand wasn't even mentioned by consumers as a brand they shop for in cosmetics. Clairol had ranked ninth among consumers in 1989. Almay, 10th in the managers' survey, was 12th on the consumers' list this year.

Consumers also ranked Aziza eighth, while managers had it further down at 11th.

Consumers named a total of 17 cosmetics brands. Three of these were not mentioned by managers at all: Faberge (an Avon division); Tip Top and Wet 'n' Wild.

For both consumers and managers, Sally Hansen and Noxell both showed impressive gains over last year.

Whichever brand they mentioned, consumer responses indicated they remained loyal to their choice and sure about the retail stores they shop.

According to respondents, 52% said they were confident of finding the brand they wanted in the discount store shopped most often. This is truly a vote of confidence. In 1989, only 45% of respondents said they expected to find their favorite brand.

The survey also showed that only 35% of those buying a cosmetic brand would switch if their preferred product wasn't available, the lowest switch rate of any department.

Top Cosmetics Brands: Store Managers vs. Shoppers

Managers	Consumers
Maybelline	Cover Girl
Cover Girl	Maybelline
Revlon	Revlon
Max Factor	Avon
L'Oreal	Max Factor
Clairol	L'Oreal
Noxell	Clarion
Sally Hansen	Aziza
Clarion	Sally Hansen
Almay	Noxell

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Consumer Brand Preferences In Cosmetics

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Cover Girl	25%	25%	26%	24%	17%
Maybelline	25	22	26	25	35
Revlon	15	16	14	21	15
Avon	5	5	4	7	9
Max Factor	5	6	4	4	5
Loreal	5	4	1	7	9
Clarion	3	3	4	0	4
Aziza	3	3	2	4	0
Sally Hansen	2	2	4	3	9
Noxell	2	2	0	2	3

Source: DSN/Leo J. Shapiro & Assoc.

Brands Inspire Loyalty in Household Cleaners

More consumers than ever before would rather skip a purchase entirely than buy an alternative household cleaner or chemical.

But it doesn't seem they have to do that.

Consumers who frequent discount stores said they usually find the household cleaner they're looking for, according to results of *DSN*'s 1990 Consumer Brands Survey.

In fact, this year consumers are more confident they will find the cleaning product brand they are looking for than they were last year.

On a scale of 1 to 9—with 1 meaning no confidence and 9 meaning total confidence—shoppers gave household cleaners a 7.88 confidence rating, higher than for every category but photo and camera, and food, candy & snacks, and bettering last year's 7.66 mean confidence rating. In addition, 57% of the surveyed shoppers gave the category a "9" (the top score) on the confidence scale, an increase from 53% a year ago.

This is an impressive result considering consumers listed 37 brands of household cleaners, more than any other category except housewares, sporting goods, and health & beauty aids. Obviously, consumers are confident that discount stores have a complete selection of name brand cleaning products and they will find what they need at those outlets.

Household cleaners is a very brand-oriented category, more so than any other category except photo and camera. Ninety percent of those consumers looking for household cleaners said they shop a discount store with a specific brand in mind. This is down slightly from 1989 when 95% of consumers said they shop for a particular label.

Very few consumers (6%) express any interest in private label household cleaners, and 53% said if they didn't find the brand they wanted, they would skip the purchase rather than switch to a different brand. A year ago, 48% of shoppers said they would skip the purchase.

The brand most sought after is Tide, the No. 1 cleaner on both the consumer and store manager brands list for five years running.

Tide's dominance as the No. 1 brand in household cleaners and chemicals is so entrenched that it is preferred by discount store consumers nearly 3-to-1 over No. 2 Comet. But Comet wasn't even mentioned by store managers as a Top 10 performing brand in the managers survey.

Overall, managers and consumers agreed on six of the Top 10 cleaners brands. After Tide in the lead position, the two groups didn't agree on the ranking of the top brands.

Among discount store consumers, Tide and Comet were in the top two spots followed closely by Ajax in third, Clorox in fourth, Windex (No. 5), Dawn (No. 6), and Pine-Sol, Cheer, Lysol and Ivory all tied for seventh.

For the past several years, Comet, Ajax, and Pine-Sol made the Top 10 consumers list but have not made the Top 10 list in the minds of store managers.

Generally, the Top 10 cleaners were the same at all four discount chains, just in different order. The exceptions were Tide, always No. 1, and Pledge, 11th overall but No. 5 at Ames.

Consumer Brand Preferences In Household Cleaners

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Tide	29%	27%	33%	25%	42%
Comet	12	9	13	13	14
Ajax	10	9	6	12	3
Clorox	9	10	11	10	8
Windex	8	9	7	5	8
Dawn	7	7	9	8	11
Pine-Sol	6	8	6	11	6
Cheer	6	7	9	10	9
Lysol	6	7	7	4	6
Ivory	6	6	7	8	9

Source: DSN/Leo J. Shapiro & Assoc.

Top Household Cleaner Brands: Store Managers vs. Shoppers

Managers	Consumers
Tide	Tide
Clorox	Comet
Windex	Ajax
Procter & Gamble	Clorox
Purex	Windex
Lysol	Dawn
Dawn	Pine-Sol
Formula 409	Cheer
Fantastic	Lysol
Comet	Ivory

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Consumers Embrace Wide Array of CE Brands

For the second year in a row, Sony beat out GE as the most desired brand name in consumer electronics among discount store shoppers, but both brands slipped slightly from 1989.

By far the No. 1 brand with consumers, Sony's performance was strongest among Ames shoppers. Nearly three of 10 consumers mentioned the popular CE brand as a product they look to purchase.

GE was second at Ames with one in 20 mentions, about the same mention rate Sony received at K mart, Wal-Mart and Target.

However, when it comes to CE products, Wal-Mart shoppers appear to be the most brand-conscious of all. Eighty-five percent of them said they have a brand preference when shopping for CE products.

Overall, CE shoppers were among the most brand-loyal in the discount marketplace. Two-thirds said that if a store didn't have their preferred brands, they would skip the purchase rather than buy another label.

In addition, only 5% expressed any interest in private label CE equipment, lower than all other categories except personal care appliances.

Despite these results, discounters seem to be missing many sales opportunities. Fully one-quarter of CE shoppers said they were "unsure" of finding their preferred brands in their local discount store. Only sporting goods, and men's and women's apparel shoppers exhibited less certainty.

Despite CE shoppers' strong preferences for brand names, No. 1 Sony only claimed a mention rate of 15% to secure the top spot on the Consumer Brands Survey. By contrast, Kodak, Cannon and Hallmark all swept their respective categories with well over 50% of mentions. Others, like Mattel, Fisher-Price, Cover Girl and Levi's, scored between 20% and 30%.

The biggest gainers this year were all new to the chart. Magnavox, Sanyo, AT&T and Memorex, which all scored mention rates of about one in 20 consumers, good enough for fifth through eighth place, respectively. The four brands were so close that they formed a virtual four-way tie for fifth.

RCA and Panasonic lost enough ground to allow Nintendo, which held steady at about one-tenth of mentions, to slip past them from fifth place to finish third this year. Panasonic slipped to fourth from third, and RCA dropped from fourth to fifth. Pioneer, which held steady in mention rates, nevertheless slipped from ninth to 10th place.

Sharp, Emerson, Zenith and Scotch/3M all dropped off the Top 10 entirely.

Discount store managers seemed to be well on top of consumer preferences. With the exception of Emerson, Sharp and GoldStar, the managers' list of top-performing brands was very similar to the consumers' list. Those three brands are heavily skewed toward discount needs, offering advanced features at very reasonable prices. As such, they probably perform far better on the sales floor, where they can be compared to more expensive competitors directly, than in a less concrete preference poll.

Consumer Brand Preferences In Consumer Electronics

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Sony	15%	17%	15%	14%	28%
GE	9	11	3	10	16
Nintendo	9	8	8	9	7
Panasonic	7	6	1	5	10
RCA	7	4	4	10	3
Magnavox	5	5	8	10	2
Sanyo	5	5	2	2	6
AT&T	5	4	10	6	6
Memorex	5	5	7	6	0
Pioneer	4	4	4	9	3

Source: DSN/Leo J. Shapiro & Assoc.

Top Consumer Electronics Brands: Store Managers vs. Shoppers

Managers	Consumers
General Electric	Sony
RCA	General Electric
Emerson	Nintendo
Panasonic	Panasonic
Magnavox	RCA
Sony	Magnavox
Sanyo	Sanyo
Nintendo	AT&T
Sharp	Memorex
GoldStar	Pioneer

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

HOME PRODUCTS

TOP BRANDS: PART II

Product Lines Blur in Housewares Category

Cannon, the No. 1 name in domestics among consumers, and Ajax, No. 3 in household cleaners, took the top spot and seventh position, respectively, in housewares this year. Possibly, discounter efforts to create unified home products departments are causing consumers to think of housewares, household cleaners and domestics as one category.

And that seems to be causing a lot of confusion. The venerable Rubbermaid label, No. 1 on the 1988 and 1989 *DSN*'s Consumer Brands Surveys and a housewares powerhouse, fell to fifth this year, just three percentage points behind Cannon.

Like many categories, the Top 10 list in housewares was composed of brands with response levels so close to one another that a small change in responses could have produced a completely different list. Only seven percentage points separated the No. 1 from the No. 10 brand, and none of them seemed to have carved out a clear endorsement from consumers.

Cannon was named a preferred housewares label by just one in 10 consumers. Black & Decker, Corning and General Electric all tied for second place with 9%. Rubbermaid received 7% of consumer mentions as a preferred brand followed by Mr. Coffee, Ajax, Corelle and Silverstone all tied with 4% and Sunbeam was 10th with 3%.

Cannon's first place showing was due mostly to Ames customers. Nearly one in seven Ames consumers said they look for Cannon when purchasing housewares products.

General Electric was the No. 1 brand cited by Wal-Mart customers even though five years ago GE sold its housewares/small electrics division to Black & Decker. Apparently, the GE name is so well entrenched that even years after the label disappeared from the shelves, customers still identify with it. (GE was fourth at K mart and sixth at Target and Ames). Corning was a close second among Wal-Mart shoppers.

Corning was first among Target housewares customers with B&D a close second.

K mart shoppers put Cannon in first place with slightly less than one in 10 naming the domestics label, followed very closely by Corning in second.

The weak endorsement of the Top 10 housewares labels may be attributed to the huge number of brands mentioned, 39, which diluted the responses. Only two other merchandise categories received more brand mentions: sporting goods (42) and H&BA (62).

The large selection of merchandise has not substantially affected how certain consumers are about finding their preferred brands at their local discount store. However, the overall mean confidence rating is off from last year.

On a scale of 1 to 9, housewares shoppers gave the category a relatively low mean 7.18 confidence rating, down from 7.30 in 1989 and 7.57 in 1988. One-third of consumers report they are certain—a 9 on the scale—they will find what they seek.

Top Housewares Brands: Store Managers vs. Shoppers

Managers	Consumers
Rubbermaid	Cannon
Corelle	Black & Decker
Corning	Corning
Black & Decker	General Electric
Visions	Rubbermaid
Sterilite	Mr. Coffee
Purex	Ajax
Mr. Coffee	Corelle
Mirro	Silverstone
Proctor-Silex	Sunbeam

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Consumer Brand Preference In Housewares

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Cannon	10%	10%	10%	9%	14%
Black & Decker	9	8	10	10	14
Corning	9	10	10	11	10
GE	9	8	10	5	10
Rubbermaid	7	8	7	5	10
Mr. Coffee	5	5	5	3	12
Ajax	4	3	2	5	2
Correll	4	4	5	1	6
Silverstone	4	4	2	5	4
Sunbeam	3	4	3	5	2

Source: DSN/Leo J. Shapiro & Assoc.

Conair Is No. 1 Again in Personal Care

Personal care appliance shoppers are the least certain of discount store customers about finding the specific brand they want at their local discount store.

And, for the second year in a row, Conair appliances were the most coveted by discount store shoppers.

Just 29% of shoppers surveyed in *DSN*'s Consumer Brands Survey said they are certain of finding the personal care appliance label they seek, down from 38% a year ago.

On a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, shoppers gave personal care appliances a mean confidence score of 7.02, down from 7.40 last year and 7.46 in 1988.

Also, 48% of all personal care appliance shoppers said they would rather skip a purchase than switch brands, up from 45% who said that in 1989.

Private label isn't a viable alternative for many customers in this highly brand-oriented category.

Just 13% of consumers expressed a preference for private label personal care appliances, the highest of which were Wal-Mart shoppers, 17%. Ames shoppers, 9%, were least interested in private label.

Overall, shoppers are slightly less brand-conscious this year than they were in 1989. Of the consumers polled, 69% said they do have a brand preference when shopping for personal care appliances, the same level as 1988. Last year, brand preference in this category rose to 73%.

The most brand-conscious personal care appliance shoppers are found at Target, 77%. These shoppers, like consumers at the other three chains, said they prefer Conair-brand personal care appliances.

For the third consecutive year, Conair was mentioned as the preferred brand in this category. Conair was also named the top performer in the department by store managers.

One-fifth of all respondents said they preferred Conair personal care appliances, about the same response by K mart and Wal-Mart shoppers. Slightly more than one-fourth the customers at Ames and Target said they prefer Conair.

No. 3 Clairol, which fell from No. 1 in 1988 to four last year, recovered due to strong responses at K mart and Wal-Mart, and a revised ad plan that re-emphasized the Clairol label.

Consumer Brand Preferences In Personal Care Appliances

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Conair	21%	22%	20%	26%	28%
GE	12	14	7	2	19
Clairol	11	12	13	4	9
Gillette	5	4	3	7	4
Norelco	4	4	7	4	7
Braun	4	3	5	2	4
Black & Decker	4	4	0	4	0
Remington	3	4	1	4	4
Schick	3	2	2	0	4
Vidal Sassoon	3	1	4	3	0

Source: DSN/Leo J. Shapiro & Assoc.

Top Personal Care Appliance Brands: Store Managers vs. Shoppers

Managers	Consumers
Conair	Conair
Norelco	General Electric
Remington	Clairol
Clairol	Gillette
Vidal Sassoon	Norelco
Windmere	Braun
Jheri-Redding	Black & Decker
Black & Decker	Remington
Sunbeam	Schick
General Electric	Vidal Sassoon

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

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Brand-Conscious Photo Shoppers Focus on Kodak

Kodak held onto its top rating among discount store shoppers with a convincing three-fourths of all mentions as their preferred brand.

Its closest rival was No. 2 Fuji with only one in 10 consumers saying they seek out that brand, according to results of *DSN*'s 1990 Consumer Brands Survey.

But despite Kodak's solid hold on the top spot, shoppers reported being as likely to switch brands as skip the purchase if their preferred brand was not available.

According to survey results, 93% of surveyed shoppers said they have a specific brand in mind when shopping for photo and camera supplies. However, if that brand is not available to them, 49% said they would switch, up from 43% a year ago.

On the other hand, nearly six of 10 consumers said that they were "certain" of finding their preferred brand in discount stores, easily the highest such rating of all discount departments. (Only food, candy & snacks, cosmetics, household cleaners, and H&BA had a 50% or better rating.)

While Kodak's No. 1 spot seems fairly secure, its rate of mention, along with virtually every brand on the Top 10 slipped slightly from last year. After No. 2 Fuji no other, brand received as much as 5% of mentions.

For example, Polaroid saw its mention rate drop from 6% to 4%, but its ranking improved from fourth to third this year. Duracell, third in 1989, slipped to No. 7 this year, and Canon moved up a notch, to No. 4.

Eveready continued a three-year climb, this year reaching No. 5. However, its rate of mentions among shoppers declined slightly, from 4% to 3%. Scotch/3M moved up from ninth to sixth, and newcomers GE and Panasonic finished eighth and ninth, respectively. Memorex held on

(Continued on page 52)

Top Photo & Camera Brands: Store Managers vs. Shoppers

Managers	Consumers
Kodak	Kodak
Canon	Fuji
Polaroid	Polaroid
Minolta	Canon
Fuji	Eveready
Pentax	Scotch/3M
Nikon	Duracell
Scotch/3M	General Electric
Vivitar	Panasonic
Duracell	Memorex

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Consumer Brand Preferences In Photo & Camera

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Kodak	77%	76%	78%	79%	72%
Fuji	9	9	5	9	8
Polaroid	4	3	3	5	2
Canon	3	4	5	5	2
Eveready	3	4	5	3	4
GE	2	2	2	4	6
Scotch	2	2	2	2	0
Duracell	2	2	2	3	2
Panasonic	2	1	0	0	3
Minolta	1	1	2	1	3

Source: DSN/Leo J. Shapiro & Assoc.

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TO: OUR MANUFACTURERS AND SUPPLIERS

STATEMENT OF POLICY CONCERNING GIFTS

We are taking this opportunity to restate our policy concerning gift-giving, not only during the forthcoming holiday season, but at all times of the year, on any occasion. Gifts, no matter how well intentioned by the donor, tend to shake the moral structure of the firmest business foundations by substituting subjective emotions and motives for objective judgment based on service, quality and price.

Accordingly for the mutual protection of our suppliers, our employees and the Company, we prohibit our employees from accepting gifts, gratuities, payments or favors of any kind. Any gifts received by our employees will be returned to the donor or donated to charitable organizations. Our employees are advised that violation of this policy is considered to be a grievous matter.

We call upon you to assist us and our employees by refraining from giving or offering such gifts. Your awareness of and cooperation with this policy will foster the continuation of fair business practices that favor our close association.

Best wishes for a happy, healthy, holiday season and a prosperous New Year.

John F. Levy Sumner Feldberg

John F. Levy
President and
Chief Executive Officer

Sumner Feldberg
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Brand Preference Slackens in Sporting Goods

Sporting goods consumers are less confident than ever about finding particular sporting goods brands at their local discount department store. They also are slightly more apt to skip a purchase entirely than buy another brand if they don't find what they are looking for.

DSN's 1990 Consumer Brands Survey found that only about one out of three discount store shoppers said they were sure they would find the brands they wanted, down from four out of 10 in the 1989 survey. Shoppers expressed less confidence in finding specific brands in only four other departments.

At the same time, the number of shoppers who said they would skip the purchase rather than switch brands increased slightly, from 53% in 1989 to 55% this year.

Oddly enough, sporting goods shoppers expressed a rather mild endorsement of brand name products.

Just 67% of the survey respondents said they shop for sporting goods with specific brands in mind, down from 71% a year ago. This result puts sporting goods in the middle of the pack: consumers expressed greater brand preferences in nine merchandise categories and fewer brand preferences in eight.

Consumer Brand Preferences In Sporting Goods

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Wilson	17%	17%	17%	18%	10%
Spalding	12	12	9	16	11
Rawlings	7	7	8	9	8
Coleman	5	4	4	3	7
Adidas	4	4	6	4	2
Daiwa	3	4	3	1	2
Zebco	3	2	4	1	3
Penn	3	4	3	5	1
Nike	3	2	2	2	5
Remington	3	2	4	1	0

Source: DSN/Leo J. Shapiro & Assoc.

Private label goods aren't high on their list either. Only slightly more than one in 10 expressed a preference for private label sporting goods, up two percentage points from a year ago.

Adding to the hazy picture is the fact that consumers and store managers matched up just four of the Top 10 brands. They were Wilson, Spalding, Coleman and Zebco.

The two groups didn't even agree on the top two sporting goods labels.

Frequent discount store shoppers put Wilson and Spalding at the top of their sporting goods list for the third year in a row, according to survey results. Managers named Coleman first and Wilson second. Zebco was third for managers, seventh for consumers, and Spalding was fourth for managers, second with consumers.

And although discount store shoppers consider Nike (No. 9) a preferred brand, managers who know Nike won't sell to discounters didn't mention it as a top performing brand.

Brand preferences at the individual chains also were rather modest.

Top Sporting Goods Brands: Store Managers vs. Shoppers

Managers	Consumers
Coleman	Wilson
Wilson	Spalding
Zebco	Rawlings
Spalding	Coleman
Huffy	Adidas
Garcia	Daiwa
Rubbermaid	Zebco
MacGregor	Penn
Franklin	Nike
Murray	Remington

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

At the individual chains, Ames shoppers were the least brand-conscious of the four discounters. Only 60% of Ames shoppers expressed brand preferences in sporting goods, compared with 69% at Wal-Mart, the most brand-conscious shoppers.

Ames shoppers also expressed significantly less preference for Wilson as their top brand, while responses among K mart, Wal-Mart and Target shoppers were nearly identical.

Spalding, in contrast, made its worst showing among Wal-Mart shoppers and its best among customers at Target.

In sharp changes of ranking from last year's survey, Rawlings moved up to No. 3 from 10th place, while Nike slipped to No. 9 from No. 4.

Adidas placed fifth; Reebok fell off the chart from sixth in 1989, and Coleman slipped to fourth place from third.

Pennzoil Takes Checkered Flag in Automotives

Even though Pennzoil and Quaker State ranked No. 1 and No. 2 for the third year in a row among automotives shoppers, the percentage of those who preferred them over other brands slipped significantly, according to results of *DSN*'s 1990 Consumer Brands Survey.

The findings in this year's survey indicates that automotives shoppers at discount stores are scattering their brand preferences over a number of products.

Other changes this year include Castrol's move up from No. 8 in 1989 to No. 3, bumping Fram out of third place to No. 4. Champion, which has diversified from spark plugs into auto batteries and filters, jumped to a three-way tie for fourth with Fram and Turtle Wax from last place a year ago.

After the top three, only one percentage point separates the brands in descending order of ranking, indicating that a tiny shift in consumer preference either could knock a brand off the Top 10 chart completely or propel it up the ladder.

Consumers expressed a high degree of agreement with discount store managers about top automotive brands.

For the top two, consumers agreed completely with managers, who most often cited Pennzoil and then Quaker State as their top performing brands.

Top Automotive Brands: Store Managers vs. Shoppers

Managers	Consumers
Pennzoil	Pennzoil
Quaker State	Quaker State
Fram	Castrol/Castroil
Havoline	Fram
Prestone	Champion
Valvoline	Turtle Wax
AC-Delco	AC-Delco
Castrol/Castroil	Havoline
Turtle Wax	Valvoline
STP	Armor All

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Aside from minor ranking differences, they also agreed on seven other 10 top brands, tying cosmetics as the two categories with the greatest agreement of top brands between the two groups. The only difference between managers and consumers in automotives was that managers regard STP as a best performing brand, placing it last on the Top 10 chart. In contrast, consumers put Armor All, instead of STP, in the 10th position on the Top 10.

With the increasing complexity of modern cars, oils and oil filters are playing a dominant role in do-it-yourself projects, and the top brands survey reflects that trend.

Of the Top 10 brands among consumers, oils account for five, Pennzoil, Quaker State, Castrol, Havoline and Valvoline, while Fram oil and air filters accounts for a sixth. And two, Turtle Wax and Armor All, are appearance products that do-it-yourselfers use.

Consumer Brand Preferences In Automotives

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Pennzoil	18%	18%	19%	19%	14%
Quaker State	13	12	13	13	15
Castrol/ Castroil	12	12	19	3	17
Fram	9	8	12	8	11
Champion	9	10	7	7	14
Turtle Wax	9	8	10	13	8
Havoline	8	8	7	7	2
AC-Delco	8	8	7	6	7
Valvoline	7	7	6	12	13
Armor All	6	6	4	2	8

Source: DSN/Leo J. Shapiro & Assoc.

Champion and AC-Delco, suppliers of spark plugs and batteries, represent a third category that DIY motorists find fairly easy to handle.

In comparison to other hard lines categories, consumers are significantly more brand-conscious, with more than eight of 10 expressing a brand preference in automotives. Only consumers of household cleaners and chemicals, photo and camera, and food, candy & snacks expressed a higher level of brand preference.

About one-half of the discount store shoppers surveyed said they would walk out of a store if they couldn't find their favorite brand, rather than switch to another.

But that probably isn't necessary since shoppers are confident they will find what they are looking for. In fact, one-half the automotives shoppers surveyed said they are sure of finding exactly what they seek.

Also indicating a high degree of brand-consciousness, fewer than two out of 10 shoppers expressed a preference for private label automotive products.

Private Labels Gain Favor in Hardware

Hardware shoppers voice relatively little confidence they will find the brands they seek at their discount store.

DSN's 1990 Consumer Brands Survey found that only 31% of hardware shoppers are sure they will find the labels they seek, lower than any other category in the survey except personal care appliances.

On a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, shoppers gave hardware a mean 6.9, lower than all categories except women's apparel (6.6). In addition, 53% said they would skip the purchase if they couldn't find what they were looking for, equal with shoppers of housewares, household cleaners and women's apparel.

But hardware shoppers expressed a comparatively low brand preference percentage. Of these shoppers, 59% said they have a brand preference in hardware, lower than all categories except domestics and greeting cards.

These same customers also have a relatively high regard for private label merchandise, with 32% expressing a preference for private label hardware products. This is higher than all other categories except children's apparel, women's apparel and stationery.

As far as the top brands are concerned, this year's survey of consumer preferences turned out much like last year's. Black & Decker, Stanley and General Electric again ranked Nos. 1, No. 2 and No. 3.

Nonetheless, B&D strengthened its grip on first place, with more than two out of 10 discount store customers naming it as their preferred brand, compared with less than two out of 10 last year.

GE improved its No. 3 standing by a few percentage points, with one out of 10 citing it as their preferred brand, whereas Stanley just held its own.

In last year's survey, the last five on the Top 10, Lucite, Duracell, Skil, Rubbermaid and DuPont, all tied, with just one percentage point of shoppers naming it their favorite brand. In the 1990 poll, DuPont, Skil and Lucite again tied, this time with two percentage points. Duracell moved up one point to No. 6, while Vermont American replaced Rubbermaid.

Consumer Brand Preferences In Hardware

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Black & Decker	22%	20%	19%	24%	21%
Stanley	13	13	13	9	15
General Electric	10	10	10	5	19
Glidden	5	5	7	5	5
Dutch Boy	4	5	3	3	6
Duracell	3	3	2	2	1
DuPont	2	2	4	3	4
Skil	2	3	4	3	2
Lucite	2	2	1	0	1
Vermont American	0	1	0	0	0

Source: DSN/Leo J. Shapiro & Assoc.

Discount store shoppers agreed with store managers, who named Black & Decker and then Stanley as their best performing brands. They also agreed on the inclusion of four other hardware brands on the Top 10 list.

Among managers, GE tied with Shop Vac for fifth place, behind Glidden, Skil and Great Neck. Managers also thought highly of McCullough and Royal, tied for No. 10 with Lucite.

In contrast, Shop Vac, Great Neck, McCullough and Royal drew too few preferred brand responses from consumers to figure at all in the ratings.

Conversely, managers thought too little of Duracell and Vermont American to place them among their Top 10 performing brands.

Among variations by chains, B&D produced its best showing among Target shoppers and its worst, by a small margin, among Wal-Mart customers.

Top Hardware Brands: Store Managers vs. Shoppers

Managers	Consumers
Black & Decker	Black & Decker
Stanley	Stanley
Glidden	General Electric
Skil	Glidden
Great Neck	Dutch Boy
General Electric	Duracell
Shop Vac	DuPont
McCullough	Skil
Lucite	Lucite
Royal	Vermont American

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

In Toys, Mattel Edges F-P Among Consumers

Brand preference in toys fell sharply this year, the third consecutive year of decline in the category.

Just 62% of all consumers in *DSN*'s 1990 Consumer Brands Survey said they have a brand preference in toys, down 10 percentage points from 1989, becoming one of six categories with brand preference percentages below 63.

These same toy shoppers appear to be quite loyal to some popular toy labels, particularly Mattel, Fisher-Price, Milton-Bradley, Hasbro, Tonka, Playskool and Crayola, noting that if they didn't find the brand they sought, they would sooner skip the purchase than switch.

This year, 58% of toy shoppers said they would skip the purchase if they couldn't find what they were looking for, up from a year ago.

On a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, shoppers gave toys a 7.3 confidence rating, down from 1988 and 1989 but still among the highest of the 18 merchandise categories surveyed. Also, 47% expressed total confidence.

Private label merchandise is not an alternative for toys shoppers. Just 9% expressed a preference for private label toys, down from 11% a year ago.

Overall, the No. 1 toy brand in consumers' minds is Mattel, which only edged out Fisher-Price by one percentage point. Shoppers at the Big Four discount chains were split on this with Wal-Mart and Target shoppers giving Fisher-Price the top spot on their lists. Only K mart shoppers put Mattel ahead of F-P. Ames shoppers rated the two equally.

The Top 10 toys brands this year included seven labels from 1989: Mattel, Fisher-Price, Tonka, Milton Bradley, Hasbro, Playskool and Crayola.

These were not the same seven toy brands store managers listed as their top performing brands. But consumers and store managers did agree on seven of the same brands including F-P, Mattel, Playskool, Little Tikes, Milton Bradley, Hasbro and Huffy.

Absent from the list is Teenage Mutant Ninja Turtles, named No. 7 by managers.

Consumer Brand Preferences In Toys

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Mattel	26%	26%	23%	23%	22%
Fisher-Price	25	24	31	31	22
Tonka	7	10	10	8	4
Milton Bradley	7	7	7	5	0
Hasbro	7	6	10	7	8
Playskool	6	6	5	5	8
Huffy	5	5	0	2	8
Little Tikes	4	5	2	0	9
Coleco	4	4	2	7	0
Crayola	3	4	0	6	3

Source: DSN/Leo J. Shapiro & Assoc.

Top Toy Brands: Store Managers vs. Shoppers

Managers	Consumers
Fisher-Price	Mattel
Mattel	Fisher-Price
Playskool	Tonka
Little Tikes	Milton Bradley
Milton Bradley	Hasbro
Hasbro	Playskool
Teenage Mutant Ninja Turtles	Huffy
Huffy	Little Tikes
Lego	Coleco
Parker Brothers	Crayola

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Private Label Products Make Inroads in Stationery

Consumer preference for private label stationery products more than doubled this year from 1989.

In addition, stationery and women's apparel are the sole merchandise categories in *DSN*'s Consumer Brands Survey to receive more than one-third of consumers expressing a preference for private label products.

Consequently, consumer preference for branded stationery items dropped this year. Now 62% of stationery customers report a brand preference, down from 68% a year ago. Brand preference was particularly low among Target customers. Just 57% of them expressed a brand preference in the stationery department.

The most brand-conscious stationery shoppers are found at Ames. Sixty-seven percent of Ames shoppers said they prefer a specific stationery brand.

Regardless of the branded product selection at discount stores, customers are becoming less confident of finding what they want.

On a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, stationery got a mean confidence score of 7.14, down from 7.49 in 1989. The number of customers who are certain—a 9 on the scale—of finding what they need, remained steady at 46%. Twenty percent said they were unsure of finding their preferred product.

Shoppers' declining confidence in the stationery department may translate into missed sales. More customers reported that they would skip a purchase rather than switch brands. This year one-third of stationery shoppers said they would skip the purchase if they couldn't find the brand they wanted, up from 29% in 1989.

The brand stationery shoppers said they prefer most is Hallmark, popular mostly for its greeting cards. However, Hallmark is not available at discount stores. Hallmark services this retail segment via its Ambassador division.

Mead, the No. 2 brand overall, was the second place brand among K mart, Wal-Mart and Target shoppers but third among Ames customers. Bic was second at Ames this year.

Top Stationery Brands: Store Managers vs. Shoppers

Managers	Consumers
Mead	Hallmark
Bic	Mead
Crayola	Bic
Papermate	Papermate
Stuart Hall	American Greetings
Cambridge	Scotch/3M
Rubbermaid	Pentel
Scripto	Parker
Pentel	Scheaffer/Eaton
Norcom	Erasermate

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Consumer Brand Preferences In Stationery

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Hallmark	23%	25%	24%	29%	20%
Mead	17	19	17	15	11
Bic	13	12	19	13	17
Papermate	6	5	3	11	8
American Greetings	4	5	5	2	3
Scotch/3M	3	3	3	5	9
Pentel	3	2	0	5	5
Parker	2	2	2	2	4
Scheaffer/ Eaton	2	2	0	4	0
Erasermate	1	1	3	2	0

Source: DSN/Leo J. Shapiro & Assoc.

If you think the New
KODAK STAR 35's are impressive,

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Top Greeting Card Brands: Store Managers vs. Shoppers	
Managers	**Consumers**
American Greetings	Hallmark
Ambassador	American Greetings
Gibson	Ambassador
Sangamon	Forget-Me-Not
Hallmark	Crayola

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Consumer Brand Preferences In Greeting Cards

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Hallmark	70%	69%	70%	71%	64%
American Greetings	15	14	19	10	19
Ambassador	1	2	2	2	0
Forget-Me-Not	1	0	2	0	0
Crayola	1	1	0	0	2
Other	6	6	3	6	0
Private Label/ Store Brand	13	12	13	15	19

Source: DSN/Leo J. Shapiro & Assoc.

Among Greeting Cards Shoppers, Brand-Switching Is Commonplace

Consumers prefer Hallmark-brand greeting cards 5-to-1 over its closest rival, No. 2 American Greetings.

Obviously, greeting card consumers are unaware that Hallmark is unavailable to them at discount stores. Hallmark's mass market label is Ambassador, mentioned often enough by consumers in *DSN*'s Consumer Brands Survey to rank it the third most preferred brand.

The current Consumer Brands Survey questioned shoppers on their greeting card preferences for the first time in the survey's three-year history.

Because of its growth as a category, greeting cards was separated from stationery this year in both consumer and store manager polls this year. The consumer survey tracks respondents' willingness to switch or skip a purchase if their preferred brand is unavailable.

Of the five top performers or preferred greeting cards brands named by both groups, only three brands matched up: Hallmark, American Greetings and Ambassador. Sangamon and Gibson-Buzza were named top performers by store managers, and Forget-Me-Not, part of American Greetings, and Crayola, were named preferred brands by consumers.

Hallmark became the No. 1 brand in greeting cards by consumers due to a response rate of 70%. However, overall brand preference in this category remains very low. Just 51% of all greeting cards shoppers expressed a preference for a particular brand of greeting cards, the lowest brand preference rating of all 18 categories surveyed this year.

Ames customers claim to be the most brand-conscious of the Big Four chains when it comes to greeting cards. Fifty-nine percent of Ames' greeting card shoppers expressed a brand preference in this category, outpacing K mart and Wal-Mart shoppers by six percentage points and Target customers by five percentage points.

Despite consumers' low brand preference in greeting cards, they are fairly confident of finding what they want at their local discount store.

On a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, shoppers gave greeting card departments a mean score of 7.31. In addition, 47% of respondents said they are certain—9 on the scale—of finding exactly what they seek.

Apparently, greeting card shoppers are satisfied with discounter's offerings in this category. Sixty-nine percent of respondents said if their preferred brand was unavailable, they would switch, meaning just 31% would skip the purchase, the lowest skip rate of any of the 18 categories other than children's apparel which received the same scores.

Despite this, consumers do not want private label greeting cards. Just 13% expressed a preference for private label greeting cards.

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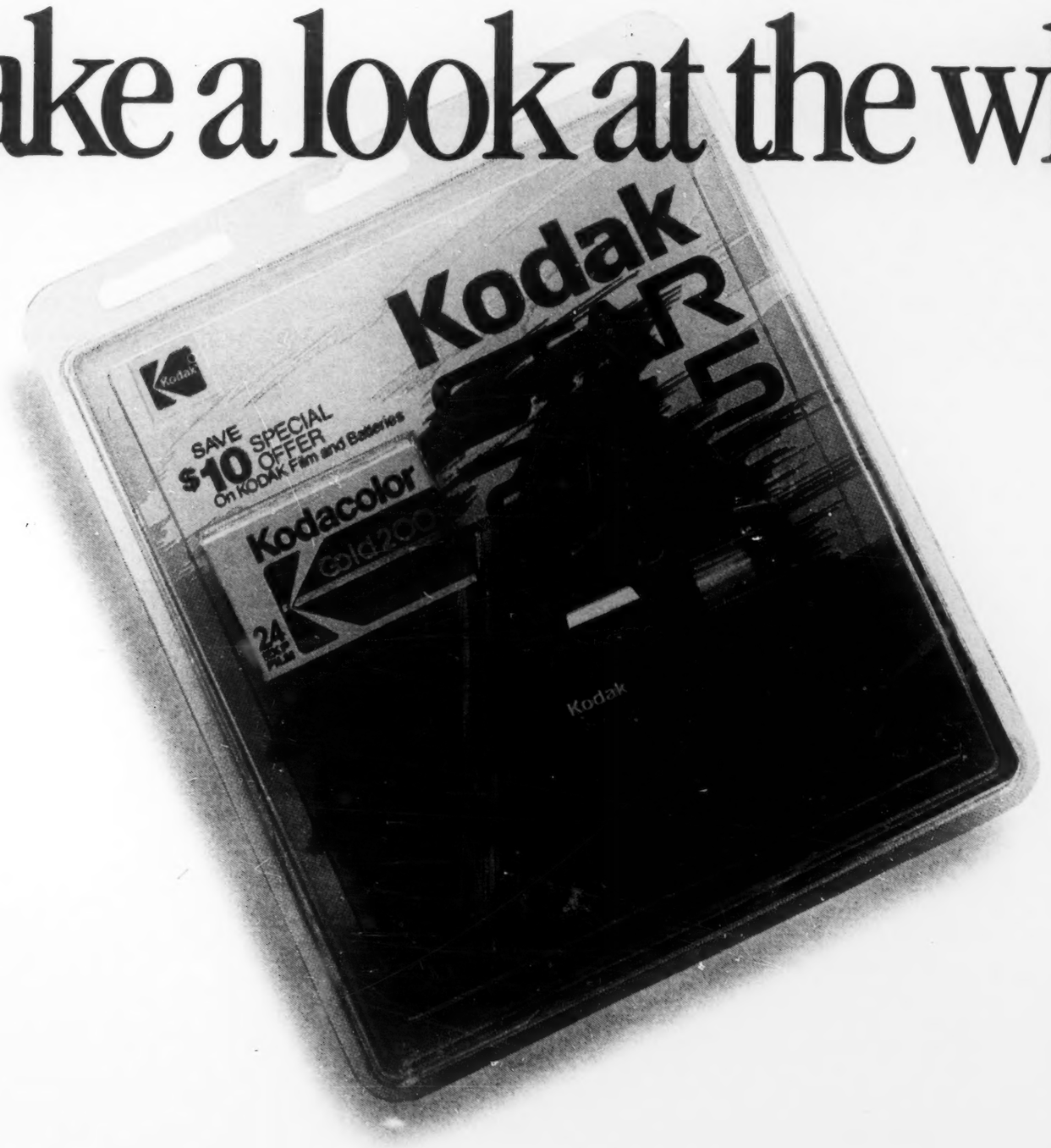

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Crest Tops H&BA Category Once Again

Discount store consumers still prefer one health and beauty aids brand, Crest, above all others—and that product is also the one managers rated as the best performing H&BA item.

For the third straight year, Crest was the No. 1 health & beauty aids brand in in *DSN*'s Consumer Brands Survey, cited as the most preferred brand by just over one-fifth of the shoppers polled, six percentage points above last year's totals .

But the extensive array of H&BA merchandise resulted in consumers citing of many products in such small numbers that they didn't gain enough mentions to be listed on the survey. These other items each elicited less than 0.5% of mentions from consumers, but the total weight of these citations was just over 27% of the all responses, almost five percentage points ahead of Crest.

While brands continue to be very important in the H&BA arena, surveyed shoppers showed a weakening inclination to buy national brands, probably the result of so many alternatives in each subcategory.

In fact, the expressed preference dropped 10 percentage points from last year's probe to 82% on the current survey. H&BA shoppers are also among the most confident they will find what they are looking for. Of these shoppers, 52% said they are sure they will find the brand they seek.

K mart and Wal-Mart customers showed the strongest preference for particular brands, with 82% of the former's shoppers and 81% of the latter's customers indicating interest in specific items.

Target shoppers showed the least brand consciousness, with 72% denoting a preference for brands. Last year, 94% of Wal-Mart shoppers voiced an interest in brands, the greatest preference among consumers of the major discounters.

K mart customers, meanwhile, showed the least concern with only 91% saying they had a brand preference.

The strong showing among specific brands by Crest had two effects: it cut into the mention of other top products as consumer citation of other brands declined, and it resulted in major shifts in the ranks of other H&BA items.

Suave, which didn't make the Top 10 chart last year, shot into the No. 2 spot, replacing Colgate, which fell to No. 6.

Besides Suave, other brands that broke in to the Top 10 this year were: Charmin (No. 3); Coast (No.8); and Zest (No. 10).

A 40% change in the listing of the brands isn't unusual for H&BA, as the shoppers surveyed cited 64 national brands as well as noting such others as store brands and local labels.

Consumer Brand Preference In Health & Beauty Aids

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Crest	22%	20%	20%	15%	26%
Suave	9	8	13	6	4
Charmin	9	10	15	12	5
Revlon	8	9	10	7	6
Ivory	8	9	6	6	10
Colgate	7	8	3	11	6
Dial	6	4	2	2	6
Coast	5	6	5	0	3
Mennen	4	5	4	2	12
Zest	4	4	5	0	8

Source: DSN/Leo J. Shapiro & Assoc.

Top Health & Beauty Aids Brands: Store Managers vs. Shoppers

Managers	Consumers
Crest	Crest
Colgate	Suave
McNeil Labs	Charmin
Procter & Gamble	Revlon
Suave	Ivory
Johnson & Johnson	Colgate
Listerine	Dial
White Rain	Coast
Clairol	Mennen
Scope	Zest

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.

Shoppers Still Sweet on Hershey's

Food, candy and snacks shoppers are the most confident of all of finding exactly the brand they want at their local discount store.

They also are among the easiest shoppers to please. If their preferred brand is unavailable, six out of 10 said they would switch to an alternative product. Private label brands, however, are not viable options for this customer. Only 8% expressed a preference for a private label product.

Food, candy and snack consumers are also among the most brand-oriented shoppers at discount stores. Target shoppers are particularly brand oriented when it comes for snack foods.

Eighty-four percent of all food, candy and snacks customers polled in *DSN*'s Consumer Brands Survey said they shop with a specific brand in mind, down slightly from a year ago when 88% claimed a brand preference. Nine out of 10 Target shoppers said they have a brand preference in this category, the highest total among discount chain shoppers.

Shoppers' preferences apparently are satisfied by discounters' selections. On a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, snack food shoppers gave the department a mean confident score of 7.97, the highest of all 18 product categories surveyed this year.

In addition, 58% of these shoppers said they are certain—a 9 on the scale—of finding exactly what they seek. Only 9% said they are unsure of finding the brand they prefer.

Overall, consumers' first choice is Hershey's, the third consecutive year they named the popular confectionery label the No. 1 preferred brand.

Hershey's hold on the No. 1 spot was due to responses by K mart, Wal-Mart and Target customers, who named it a preferred brand nearly twice as often as No. 2 M&M/Mars.

Frito-Lay was the top brand at Ames. Hershey's was second followed by No. 3 Brach's, and M&M/Mars, Nabisco and Wise all tied for fourth place.

K mart shoppers said Frito-Lay, maker of Frito's corn chips and Lay's potato chips, was the No. 2 preferred brand. It was named fourth by Wal-Mart shoppers and fifth by Target customers.

M&M/Mars performed best among Target customers, but the brand was almost as popular with K mart and Wal-Mart shoppers. About one in six shoppers at those three chains named either M&M or Mars.

Consumer Brand Preferences In Food, Candy & Snacks

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Hershey's	23%	23%	19%	22%	14%
M&M/Mars	14	14	15	15	11
Snickers	14	14	17	14	10
Brach's	11	12	9	12	12
Frito-Lay	9	9	10	4	15
Nabisco	5	5	4	5	11
Planters	5	6	3	3	10
Lays	5	5	5	7	0
Reese's	5	2	4	7	6
Keebler	4	4	3	2	6

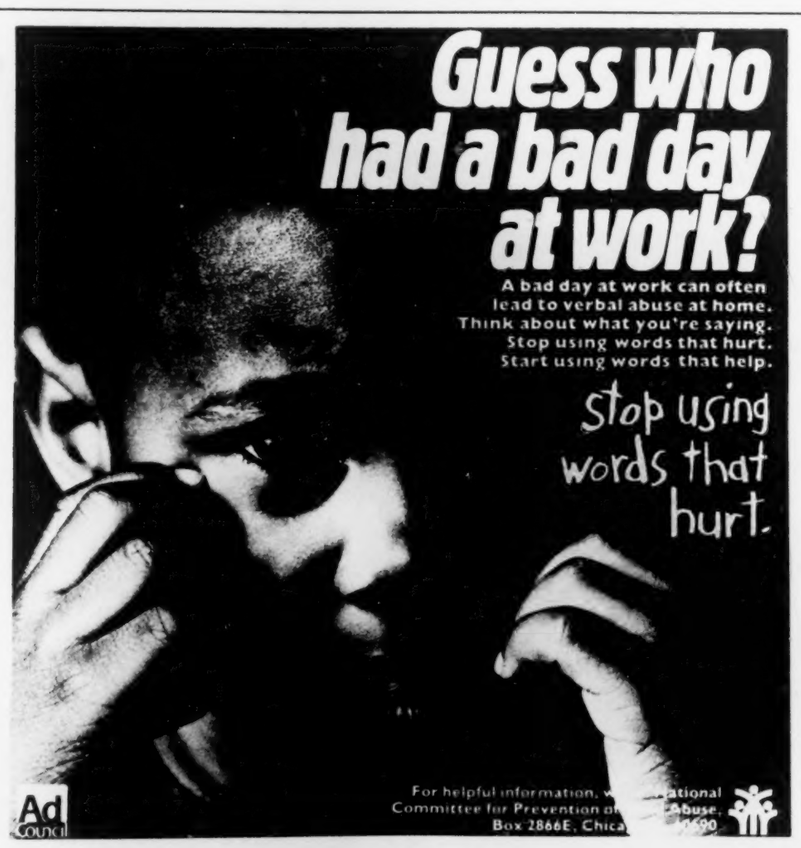
Source: DSN/Leo J. Shapiro & Assoc.

Top Food, Candy & Snack Brands: Store Managers vs. Shoppers

Managers	Consumers
Frito-Lay	Hershey's
M&M/Mars	M&M/Mars
Hershey's	Snickers
Planters	Frito-Lay
Nabisco	Brach's
Brach's	Nabisco
Coke	Planters
Pepsi	Reese's
Ocean Spray	Keebler
Fisher	Wise

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in a discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Assoc.


Guess who had a bad day at work?
A bad day at work can often lead to verbal abuse at home.
Think about what you're saying.
Stop using words that hurt.
Start using words that help.
Stop using words that hurt.
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